

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

**Seventy-ninth Session
May 4, 2017**

The Senate Committee on Revenue and Economic Development was called to order by Chair Julia Ratti at 3:42 p.m. on Thursday, May 4, 2017, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Julia Ratti, Chair
Senator Aaron D. Ford, Vice Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Heidi S. Gansert
Senator Patricia Farley

COMMITTEE MEMBERS ABSENT:

Senator Michael Roberson (Excused)

GUEST LEGISLATORS PRESENT:

Assemblywoman Irene Bustamante Adams, Assembly District No. 42

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Irma Fernandez, Legislative Aide to Assemblywoman Bustamante Adams
Tina Nguyen, Committee Manager
Lex Thompson, Committee Secretary
Colleen Lennox, Committee Secretary

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OTHERS PRESENT:

Cory Hunt, Deputy Director, Governor's Office of Economic Development
Tyre Gray, Las Vegas Metro Chamber of Commerce
Brian McAnallen, City of Las Vegas
David Cherry, City of Henderson
Andrew Diss, Grand Sierra Resort

CHAIR RATTI:

I call this meeting to order and will open the hearing on Assembly Bill (A.B.) 231.

ASSEMBLY BILL 231 (1st Reprint): Revises provisions relating to economic development. (BDR 18-294)

ASSEMBLYWOMAN IRENE BUSTAMANTE ADAMS (Assembly District No. 42):

I have attended many of the Governor's Office of Economic Development (GOED) meetings, and my hope is to continually improve the process. In A.B. 231 there are two small, technical changes I would like to address. Cory Hunt from GOED is here to review those two changes.

CORY HUNT (Deputy Director, Governor's Office of Economic Development):

Section 4 in A.B. 231 aligns a reporting deadline for our Nevada Local Emerging Small Business (ESB) program with a federal fiscal year reporting time frame. We are currently required to report by September 15. The other federal aspect of the program, such as the federal fiscal year, ends shortly thereafter. This allows GOED to provide one report with complete information at one time rather than partial information which requires an update or additional information every three to four months.

Section 7 of A.B. 231 repeals the requirement that GOED lead and promote the implementation and creation of inland ports. Importantly, it does not eliminate the designation for inland ports that is still available under *Nevada Revised Statutes* (NRS) 277B. It recognizes that is a locally derived designation and should be a locally led process. That is the entire bill.

SENATOR GANSERT:

What do you report to the federal government? Do you have federal grants or loans? Can you expand on that?

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MR. HUNT:

Our ESB program and Procurement Technical Assistance Center (PTAC) are both federally funded programs. For the PTAC, we report on the number of businesses for which we provide assistance. The changes in A.B. 231 will bring the reporting for the ESB program into alignment with the reporting for the PTAC.

SENATOR GANSERT:

The statute only mentions reporting to Nevada government. You already report annually to the federal government with no statutory requirement. Is that correct?

MR. HUNT:

Yes.

TYRE GRAY (Las Vegas Metro Chamber of Commerce):

The Metro Chamber supports A.B. 231. Economic development and diversification is key to growing the Nevada economy.

CHAIR RATTI:

I will close the hearing on A.B. 231 and open the hearing on A.B. 294.

[ASSEMBLY BILL 294 \(First Reprint\)](#): Requires an accommodations facilitator to collect and remit room taxes under certain circumstances. (BDR 20-874)

ASSEMBLYWOMAN IRENE BUSTAMANTE ADAMS (Assembly District No. 42):

The premise for this bill is that I wanted to look at new concepts in the shared economy, new technology and new entities that have been created to evaluate if anything new should be included in the State's tax structure. Assembly Bill 294 addresses entities such as Airbnb and others using a platform to rent out residential units.

Irma Fernandez is my Legislative Aide and has worked hard to identify definitions and other best practices throughout the State and within the U.S. She will present the terms of the bill.

IRMA FERNANDEZ (Legislative Aide to Assemblywoman Bustamante Adams):

Before we dive into A.B. 294, I would like to provide some history and context for the reason we bring this bill forward.

Throughout the presentation ([Exhibit C](#)) I will refer to a few key terms, as seen on Slide 2, such as accommodations facilitators, residential units or similar spaces as well as transient lodging and short-term rentals. Though A.B. 294 defines some of these terms, I would like to clarify what they are and what they are not for the record.

Accommodations facilitator means a person other than the owner, lessee or other lawful occupant of a residential unit or similar space who, for a fee or other charge, brokers, coordinates, makes available or otherwise arranges for the rental of the residential unit or similar space for the purposes of transient lodging.

Residential unit or similar space means a single-family residence, individual residence or unit within a larger building, motor home, trailer, boat, tent or other vehicle, vessel or structure including without limitation any portion of any such vehicle, vessel or structure. It does not include any portion of a hotel, motel or other commercial property.

Transient lodging is defined as any structure or facility designed for occupancy by a person or persons who pay rent for dwelling, lodging or sleeping purposes.

While *Nevada Revised Statutes* does not specifically define transient lodging, there are cities and counties that do. For example, Clark County includes resort hotels, hotels, motels, bed and breakfasts, apartment houses, vacation homes, inns, lodging houses, recreational vehicle parks, campgrounds and time-shares when rented by anyone other than the owner, owner's guest or exchange user.

To clarify on time-shares, I would like the record to reflect that under NRS 244.33565 a time-share cannot be considered transient lodging unless the owner of the unit rents the unit to another person during the time he or she is occupying the unit. This is when the tax would apply.

Short-term rentals are defined as a rental period when a guest stays 30 days or less. With those terms in mind, I would like to touch on the history of facilitators on Slide 3.

The history of vacation rental accommodations facilitators dates back to 1996 with the founding of VRBO.com. This was followed by the creation of HomeAway in 2005, and Air Bed and Breakfast which would eventually become

known as Airbnb in 2008. Facilitators did not truly penetrate the market until 2011 with the popularity of Airbnb. By the end of 2012, Airbnb overtook Hilton Hotels in number of nights booked, proving that this new form of transient lodging was here to stay. There have been plenty of other players that have popped up in the market over the past few years, but the main players in the game are Airbnb, HomeAway, VRBO, Tripping.com, FlipKey, HouseTrip and many more, including iterations of these Websites in specific countries.

How does it work? As seen on Slide 4, the way these facilitators work is fairly simple and similar to booking a hotel online. We will walk through the process as if you were the one arranging a trip. After you create a profile with the facilitator of your choice, you search for the city and dates of your desired trip. Available homes and rooms pop up with prices, information and pictures of the locations. You may decide to instantly book what you like on your Website profile or you can ask for permission from the host. The host may either approve or not. Then you are done.

In the instances I have personally used Airbnb, I usually communicate directly with the homeowner to receive the keys on the day I expect to arrive and I receive a tour of the place before the owner leaves the home for my use. This model of the sharing economy puts extra income into the hands of homeowners across the globe. Residents in places like Arizona report \$4,800 per year of extra income from renting out their homes or other units.

Nevada is in a unique situation. The economy, though more diversified every year, still centers around the hotel and casino industry. As more residents advertise their homes with a facilitator, the number of people who rent hotel rooms decreases. In New York in 2016, hotels experienced a 2.9 percent decline in room rentals. According to a recent study by Moody's Investors Service, cities that have a high concentration of facilitator listings, which means 25 percent of available places to rent in the city, see a drop in hotel occupancy rates. Those changes in percentage do not sound like much for an industry that operates in billions of dollars. As more users join rental platforms due to lower cost and lack of taxes in some areas, the losses will continue for hotels, which also means lost revenue in room service, food sales, fees, etc. As of 2016, 60 percent of accommodations facilitator users were Millennials, defined as those who are between the ages of 18 and 35 years old.

When deciding where to travel, I personally look at Airbnb before I ever look at a hotel because it is usually a way to save money and have a unique experience in a new city. At this point, staying in a stranger's house is no longer a foreign concept. It is the same as getting into a stranger's car to move around. This brings us to the purpose of A.B. 294, which is uniformity.

The idea behind A.B. 294 is to bring uniformity to transient lodging by folding this new technology into the existing tax structure. Adding transient lodging taxes, occupancy taxes or room taxes is not a new concept. In 2014, Airbnb in particular began to collect and remit taxes in the City of San Francisco. Cities, counties and countries have begun to notice the prevalence of the sharing economy.

As seen on Slide 5, nearly half the Country already applies these same sorts of taxes. Some are statewide, such as in Arizona or North Carolina, while some are per county and city, such as in California. Taxes vary depending on different parts of the Country. For instance, in Chicago, in addition to paying the hotel occupancy tax, users also have to pay a newly enacted tax that is specific to accommodations facilitator usage.

New Orleans, a city with an economy similar to Las Vegas, has a 4 percent hotel tax plus a 50-cent per night tax for rentals made via an accommodations facilitator. Arizona has a privilege sales tax of 5.5 percent, a county tax that varies from 0.28 percent to 6.5 percent and occupancy tax that varies from 1.5 percent to 6 percent.

In Nevada, the only county that openly allows, without the need of a permit, for rentals made via an accommodations facilitator is Washoe County. This was done through a County ordinance. In 2015, the Reno-Sparks Convention and Visitors Authority (RSCVA) entered into a voluntary agreement with Airbnb which agreed to collect the required room tax from rentals within Washoe County and directly remit the taxes to RSCVA. This resulted in \$500,000 of tax revenue remitted to the RSCVA. Airbnb does this on behalf of the host of the residential unit or other space.

In Clark County, things are a bit muddier. Unincorporated Clark County and the City of Henderson do not allow short-term rentals in residential unit areas, although the practice does take place. The City of Las Vegas requires hosts to

pay a fee for a business license to operate within the City. The City of North Las Vegas does not have any ordinance against short-term rentals.

Regulated or not, this is happening throughout the State, with Airbnb alone reporting 3,900 hosts in the State including areas that do not permit the practice. In 2016, according to information provided by Airbnb, Nevada hosts earned \$47 million in income, with \$35 million of that in the Las Vegas area and \$1.5 million in Henderson, where the practice is not allowed.

I will go through Proposed Amendment 4326 ([Exhibit D](#)).

Section 1, subsection 1, paragraph (a) amends NRS 244 by adding language that covers the following: If a county authorizes rentals, it allows the county to require an accommodations facilitator to collect all taxes imposed on transient lodging rentals in that county. The facilitator would collect the taxes on behalf of the owner lessee of the property and remit the taxes to the county, in this case, a residential unit or other space. Section 2, subsection 1, paragraph (a) of [A.B. 294](#) amends NRS 268 by adding a new section that covers the following: If a local governing body such as a city council adopts an ordinance allowing transient lodging, then the facilitator must remit all taxes back to the incorporated city that it is currently in.

[Assembly Bill 294](#) does not legalize the practice of short-term rentals. This bill would allow for local control within each city and/or county to tax those who engage in the practice of providing transient lodging from their homes. We have had multiple conversations with Airbnb as well as some of the local entities, such as City of Las Vegas, City of Henderson and Clark County. We will continue working on this issue with all parties. Proposed Amendment 4326 is a reflection of that effort.

SENATOR FARLEY:

There are a lot of homeowners who do this via craigslist and other Internet entities. I wonder if this bill will drive customers away from VRBO and Airbnb and find these rentals on their own. There are many online resources to find these homes. My guess is that even though the tax is not much, people will find alternatives to advertise their homes. I am curious, is there is a way to solve that?

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

We have not heard that question yet and have not yet thought that A.B. 294 might drive business away from the existing platforms because people could facilitate this themselves.

SENATOR FARLEY:

Another option is to take your listing to different promoters of events, and they will rent your house for you when they have people coming in for an event. There are many avenues, especially in Las Vegas, for this to occur. I know there is a lot coming in on VRBO; it is a great outlet to get people from out of state. If you are hooked up in the right way, there are so many avenues to get high-paying people to come in. I like the idea that taxes should be paid. I am not sure if A.B. 294 will drive people to avert it.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

I had not heard of the other option you mentioned, to use a promoter of events. I will explore other places where this has been established as law, such as California, to see how it has handled the different avenues.

SENATOR FARLEY:

I do not mind sharing with you the different avenues that I know.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

I would be curious to learn about the other options.

CHAIR RATTI:

We did hear yesterday, in one of the committees I was in, Assemblywoman Heidi Swank's bill, A.B. 321, that was more with regard to registration and identifying platforms. There could be an interesting nexus between the two. In theory, the folks using those other avenues should have business licenses. I think her bill requires some reporting on that, so then you could start identifying folks outside of the traditional platforms. I do not want to speak for Assemblywoman Swank, but I think the identification comes first and then the taxation comes second.

[ASSEMBLY BILL 321 \(1st Reprint\)](#): Authorizes a county or city to require a hosting platform to provide certain reports and information to a county or city. (BDR 20-1138)

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

Yes. I think you hit the nail on the head. We put in our bills without speaking to each other, knowing that we wanted to look at the new shared economy concept. You are right, I agree that the first step is identification because it is going on. If you search for availability in Henderson, even though it is not allowed, it is happening. It is the same for some of the other entities that you might hear from later today. The first step is identification, then A.B. 294 is strictly about collecting the taxes.

SENATOR FARLEY:

Normally, we do have business licenses, or we run through a broker of some sort who does have a business license. That should make it easy to track.

SENATOR FORD:

My apologies, I received this email at 9:00 a.m., and I just now forwarded it so you can look at it. I am not trying to surprise you. I wonder if you have any thoughts on the content of this email? It was sent to the wrong person, last Session's Revenue and Economic Development Committee members. This makes me connect to Senator Farley's comment on Internet Websites because it talks about the possible impact on classified sections of newspapers, bulletin boards in universities and the like. I will quote from the email and you can tell me your thoughts.

A.B. 294 requires every business that advertises a hotel room for a fee to also collect the lodging taxes on the rental, even if the advertiser is not a party to the rental transaction. Advertisers of course, would include paid-for ads in the classified section of the local newspaper and failure to collect these taxes could result in stiff penalties.

I do not know if you have received an email from this gentleman, Carl Szabo. Is this something that you have some thoughts on at this juncture, or would you care to look at the email and get back to me? Incidentally, the name of the organization is NetChoice and this gentleman is a senior policy counsel.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

I have not seen the email, but we did clarify in a section, and I am going to let Ms. Fernandez explain, because that question did come up for us to clarify.

MS. FERNANDEZ:

Proposed Amendment 4326 mentions that a residential unit does not include any portion of a hotel, motel or commercial property. This is in section 1, subsection 3, line 34, on page 2. It defines residential unit and says that it does not include any portion of a hotel, motel or other commercial property. That addresses that part of the question. Though I would like to see the entire email to make sure I am answering correctly.

SENATOR FORD:

I think he goes beyond that in his question. I have forwarded the email to both you and Assemblywoman Bustamante Adams. At your leisure get back to me.

BRIAN McANALLEN (City of Las Vegas):

We support A.B. 294. In the Proposed Amendment 4326, I would like to refer to some of the comments made by Chair Ratti regarding Assemblywoman Swank's bill, A.B. 321, related to collecting data on hosting platforms. The way the City of Las Vegas looks at this is both bills are critical to address the evolving industry. I testified on A.B. 321 to another committee that has seen a significant challenge in our City for a number of years related to party houses and short-term rentals that have caused problems for our neighborhoods and impact law enforcement. Code enforcement officers also respond to calls on a regular basis.

We believe this bill provides equity and fairness in the ability to collect room tax that all visitors pay in hotels. This is a step in the right direction for fairness and equity. Assemblywoman Swank's bill, A.B. 321, along with A.B. 294, will allow the City to monitor and regulate business locations through business licenses so the City can handle what is necessary to enforce business license fee laws and code enforcement challenges. In full disclosure, a bill was introduced in the Las Vegas City Council that will be discussed further after business impact statements at the next two meetings in May and June. The bill is related to short-term rentals, which the City will continue to define. Both A.B. 294 and A.B. 321 will be critical tools to protect the City of Las Vegas and its residents.

SENATOR FARLEY:

I often hear that one of the downsides of this business is when the house is used as a party house and the police are called. Normally, the party houses are big luxury homes and the homeowners do not normally allow those types of situations to occur because of the expense to fix the houses. A luxury

homeowner would normally have two things: one is adequate insurance, and two is a lengthy contract about what is allowed to occur in those homes. I am curious, because I have heard over and over again that there are impacts, yet when you actually press down, it is more rhetoric than fact. I would be curious to see the impact.

MR. MCANALLEN:

The City of Las Vegas has seen impacts to those larger mansions and the places you are talking about. There are impacts to the neighbors and the community in some of our older, historic parts of town. This also happens in the unregulated business arena and in all parts of the City. On smaller properties that are used in a short-term rental capacity that do not have licenses, there are lots of issues that cause neighbors to complain. Council members have to address those issues all the time.

Sometimes there are law enforcement issues because people come here to have a good time and cross the line, and neighbors get concerned. Some of these neighbors are elderly residents who are not aware there are new cars showing up all the time or different people coming and going from a house that was previously vacant. They are concerned about loud noises and nuisances and this results in a lot of calls. We do think this direction helps the City. Both bills will help the City address some of the challenges in its neighborhoods.

CHAIR RATTI:

If you have anything on calls for service or code enforcement numbers, that would be great.

MR. MCANALLEN:

We will supply you with what we can. We get a lot of general code enforcement calls that only later on get categorized in a way that would be related to this. You cannot tell what is a short-term rental from a regular neighborhood one, but we will do what we can to supply you with that data.

CHAIR RATTI:

Tax structure wise: with the way this bill is structured, would room taxes flow into the existing room tax structure so that the distribution—for example, I am thinking of the stadium, if the rental were within the 25-mile radius—that goes to the stadium be paid, or is a whole new tax structure required?

MR. MCANALLEN:

I do not know that answer. I have not received that information from the finance department as related to Proposed Amendment 4326. I will look into that as well.

CHAIR RATTI:

It might have been a better question for the sponsor, I will take you off the hook.

DAVID CHERRY (City of Henderson):
We support A.B. 294.

CHAIR RATTI:

You have these facilities, right?

MR. CHERRY:

No. Thank you for asking that question. It is slightly different. I will say right up front there is only one place in the City of Henderson where this is allowed, but it is through land use. That is how the City controls it. These rentals have to be zoned in a certain area, which is only in the Lake Las Vegas area. The zoning is called commercial tourist. There are a limited number of units that are in that specific part of the City only. Somebody would have to have a conditional use permit through our zoning process. Because rentals are in the zoning area, the owners can apply for conditional use permits. Otherwise there is no ordinance.

What I wanted to say is we appreciate the time the bill sponsor has spent to make sure the language was permissive so that it was up to a city council, like the City of Henderson, to decide for itself whether to have an ordinance that speaks to the issue of short-term rentals. If the City Council decided to go down that path, then the benefit of tax collection would be apparent even though a very small portion would stay with the City.

I do not have a complete answer to your question, but I know in discussions with the bill sponsor, the City collects the tax, but most of the revenue goes to the Las Vegas Convention and Visitors Authority and other recipients of lodging taxes revenue. I am unsure about stadium tax, although the City enacted an ordinance requiring collection of stadium tax as required by S.B. No. 1 of the 30th Special Session. The City actively collects stadium taxes for lodging units in that category.

In the future, the City Council may decide to go down this path. That is the reason it supports this bill because it gives the option to consider exercising this at a later time. If the City were to choose this later on, then it sees the benefit of A.B. 294.

ANDREW DISS (Grand Sierra Resort):

Grand Sierra Resort is the largest hotel casino in the State outside of Las Vegas. We have 2,000 rooms. With the addition of the new language in Proposed Amendment 4326, page 2, section 1, line 34, this bill makes us comfortable. The only reason I am testifying neutral and not in support is because this is the first time I have seen Proposed Amendment 4326 and I would like more time to review it. Grand Sierra Resort believes A.B. 294 will bring equity and stock the coffers of RSCVA. In turn, the stocked coffers will boost marketing dollars to bring more tourists to the region which will fill our hotel. Grand Sierra Resort sees this as a good idea.

CHAIR RATTI:

Is the intent to align A.B. 294 with the current room tax structure at the local level so it is collected and distributed the same as in southern Nevada, where a good portion of it goes to the schools. Is that how you see this?

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

Yes, that is exactly the intent, to bring uniformity. It is also permissive so that if local government decides to do so, it can.

The City of Henderson testified it does not allow this within its jurisdiction, but if you look at the Website now, there are many listings for the City of Henderson. It is happening. That is exactly the intent of the bill, to have it go through the same process as room tax collection and then allow those entities to distribute it as it is already set up in law.

We have numbers for Nevada on the number of platform users. Sometimes a platform can get a bad reputation because people think listings are party houses. That is not the case. I would like for Ms. Fernandez to share some statistics on the people using the platforms and renting out their rooms within their houses.

MS. FERNANDEZ:

About 32 percent of hosts in Nevada are over the age of 50 and a majority are women. The average host makes about \$6,600 in extra income per year. This does not sound like a ton, but if you work a regular job and rent out a room on the side, it is not too bad. Eighty percent of hosts in Nevada rent out their entire homes. Twenty percent rent out individual rooms. People give up their entire home for a weekend. I can imagine there will be a lot of homes up for rent this weekend with the mega fight in Las Vegas. I would be interested to see how the numbers pop up. A sizeable portion of those hosts, the 80 percent, who rent out their entire homes are over the age of 50 and gain supplemental income to their retirement income.

CHAIR RATTI:

Have you communicated with some of these businesses, such as Airbnb or other platforms?

MS. FERNANDEZ:

Yes. I have communicated with the government affairs team directly and with the lobbyist here. We sent the team Proposed Amendment 4326 and have worked with the team to make it more comfortable with some of the definitions. We will continue to work on this.

CHAIR RATTI:

I am wondering if Airbnb can provide any data to that question? I am certain there are instances where people rent, particularly when it is the entire home, and do not treat the home the way they should, in similar fashion to what we know happens with car rentals and other rentals. Since the platforms have a national scope, I wonder if any of the platforms might have more data, such as a percentage of all rentals, and how many get complaints. In the role of facilitator between the individual who rents and the person who has the facility for rent, I wonder if there is some data that says, for example, it is 0.5 percent of rentals that have a complaint or whatever.

MS. FERNANDEZ:

I would be happy to email or speak directly with the appropriate people to get an answer for that. That is something we had not yet asked. I do know there is a host guarantee. Depending upon the situation, the company asks for the host and the person who rented to speak directly first, then from there the host would file a police report and explain exactly what happened. There is a

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guarantee for the hosts in case their homes get completely trashed, up to \$1 million if the steps are followed properly and verifiable damage was done specifically from the person who rented from the host.

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CHAIR RATTI:

If it is such an extensive process, then they should be able to give us some sense of the number. I will close the hearing on A.B. 294. This meeting is adjourned at 4:21 p.m.

RESPECTFULLY SUBMITTED:

Colleen Lennox,
Committee Secretary

APPROVED BY:

Senator Julia Ratti, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	2		Attendance Roster
A.B. 294	C	8	Irma Fernandez	Slide Presentation
A.B. 294	D	4	Assemblywoman Irene Bustamante Adams	Proposed Amendment 4326