

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

**Seventy-ninth Session
May 11, 2017**

The Senate Committee on Revenue and Economic Development was called to order by Chair Julia Ratti at 3:43 p.m. on Thursday, May 11, 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:

Assemblyman Nelson Araujo, Assembly District No. 3

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Brenda Erdoes, Legislative Counsel
Bryan Fernley, Counsel
Colleen Lennox, Committee Secretary

OTHERS PRESENT:

Danny L. Thompson, Nevadans for Affordable and Accessible Animal Care
Barbara Smith Campbell, The Ferraro Group
Michelle Wagner, Nevada Veterinary Medical Association
James C. Wilson, DVM, Cheyenne-Tonopah Animal Hospital
Susie Costa, DVM, Spencer Springs
John Bullard, DVM, Ann Road Animal Hospital
Debbie White, DVM, Lone Mountain Animal Hospital
Dennis Wilson, DVM, Animal Emergency Center
Doug Busselman, Nevada Farm Bureau
Bryan Wachter, Retail Association of Nevada
Paul Moradkhan, Las Vegas Metro Chamber of Commerce
Shellie Hughes, Department of Taxation

CHAIR RATTI:

I will call the meeting to order and open the hearing on Assembly Bill (A.B.) 439.

ASSEMBLY BILL 439 (1st Reprint): 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 sponsored A.B. 439 at the request of a coalition of over 240 veterinarians and veterinary professionals statewide. Nevada has historically classified veterinary professionals as service providers and, therefore, as consumers of the products they purchase in support of their service. 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 by permanently defining veterinarians as service providers. With me today are Danny Thompson, on behalf of the coalition of 240 veterinarians who comprise Nevadans for Affordable and Accessible Animal Care; Barbara Smith Campbell, who served as a member of the Nevada Tax Commission for over 20 years, including serving as Chair; and Michelle Wagner of the Nevada Veterinary Medical Association (NVMA). The three of them will help me present A.B. 439. I will turn it over to Mr. Thompson to walk you through the bill.

DANNY L. THOMPSON (Nevadans for Affordable and Accessible Animal Care):

The coalition of Nevadans for Affordable and Accessible Animal Care (NAAAC) is a group of over 250 veterinarians and veterinarian professionals representing 121 animal hospitals. I will read the locations so I do not miss any: Boulder City, Carson City, Fallon, Gardnerville, Henderson, Las Vegas, Logandale, Mesquite, North Las Vegas, Pahrump, Reno, Sparks, Spring Creek and Winnemucca. You can see this list covers the whole State. This group came together when this issue came up. Organizing people is difficult but on this issue, it was not. I would like to tell you three things: Why this bill is needed, what it does and what it does not do.

Assembly Bill 439 is needed because for the past 58 years, the Department of Taxation has treated veterinarians and the way they provided service in one way. Then in 2014, without any public notice or public hearing, it changed the way veterinarians and veterinarian professionals were treated. What A. B. 439 does is codify the past 58 years of practice. What it does not do is cost the State any money. The bill is simple.

I want to tell you a story. My mother-in-law lived in Sheridan, Wyoming. After her husband died, she fell in the snow and hurt herself. She laid outside in the snow when it was 20 degrees below zero for about 20 minutes before someone found her. My wife and I decided it was time to move her to Reno with us. In Sheridan, there are no U-Hauls. I rented a U-Haul and drove from Reno to Sheridan, Wyoming, to pick her up. While I was on my way there, she met this guy, in fact he was a convict. She got him out of jail. When I got there, I picked her and Nelson up and brought them back to northern Nevada to live with me in Virginia Highlands. Nelson is a shih tzu-bishon frise mix. She got him from the dog pound, that is why I call him a convict. I have to tell you, that dog is her life. When I go home at night, I tell her about my work, like the Stadium and how I negotiated the deal for the Faraday Future project labor agreement. She is well-versed in Nevada politics. When I told her about the vet tax, the way it was applied and that she potentially would have to pay a tax on her dog's vaccinations, there are not enough pitchforks and torches in Nevada to deal with what would come from this.

For NAAAC, it was easy to sign veterinarians up. This change is a back-ended tax on services. Doctors buy the vaccination and pay sales tax upon purchase. The change in tax policy represented a wholesale change to what the

Department did in 2013. Assembly Bill 439 simply codifies the past practice. Barbara Smith Campbell is here to go through the tax policy.

CHAIR RATTI:

I want you to know that my rescue is a pointer-pit bull mix named Angus and I am probably more interested in that than I am the tax policy, but, Ms. Smith Campbell, we will go ahead and let you present.

BARBARA SMITH CAMPBELL (The Ferraro Group):

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 Chair for 10 of those 20 years.

I am here today to give a historical perspective of the veterinary medicine industry and taxation. As noted earlier, this industry is not here to ask for a change in law. It is not asking for any type of tax avoidance. The industry is asking you to reaffirm the historical tax treatment and status as a consumer when veterinarians purchase tangible personal property in the course of providing medical services to their clients. Examples of the types of tangible personal property would be sutures, vaccines and anesthesia. All of these are tangible personal properties that are used by veterinarians in the course of their business. Veterinarians pay use tax on these purchases from out-of-state vendors or sales tax to registered vendors. Let me give you a historical background.

The Sales and Use Tax Act of 1955 was created by referendum. 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, the rules became the Nevada Administrative Code which adopts regulations that guide the Department of Taxation. If you ever look at the NAC, you will see the carryover. As an example, Commission is defined in NAC 360.020. Commission means the Nevada Tax Commission.

The compendium of rules ([Exhibit C](#)) gives us a good example of industry groups that are consumers. The list is not all inclusive, but you can see parallels between the businesses that are and should be defined as consumers. For example: Ruling No. 20, watch and jewelry repairmen are consumers of parts and materials; Ruling No. 10, optometrists and opticians are consumers of

ophthalmic materials; Ruling No. 8, taxidermists are consumers of the materials used; Ruling No. 6, gun clubs are consumers of clay pigeons; Ruling No. 5, dentists are consumers of materials and supplies used in performing their services; Ruling No. 3, barbers, beauty shops and cleaners are all consumers of the supplies that are used in the performance of their services.

Once the rules were converted to the NAC, these consumer classifications flowed to the NAC. Although the veterinary industry was not specifically called out in either the rules or the NAC, the Department of Taxation created several notices in its quarterly publication called *Nevada Tax Notes*.

There have been multiple cases on appeal before the Nevada Tax Commission. In 1986, a veterinary taxpayer appealed the decision of a hearing officer regarding the taxability of veterinary supplies. The Commission confirmed that the veterinarian was a consumer of tangible personal property used in the practice of his medical business. The Commission further sent the case back to the Department to sort out the retail sales that were subject to sales tax. The Chair instructed the Department to notify the industry group on the difference between being a consumer and a retailer.

In the January 1997, Issue No. 117, *Nevada Tax Notes* ([Exhibit D](#)), issued by the Department and sent to all taxpayers, the Department clarifies that a veterinarian who consumes tangible personal property in the course of business must accrue use tax or pay sales tax to the registered 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, *Nevada Tax Notes* ([Exhibit E](#)), the Department again states "Veterinarians are the consumers of tangible personal property that 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 and over-the-counter sales are subject to sales tax. This is the same position that the industry has been operating under and supports.

In the October 2013 Issue No. 184, *Nevada Tax Notes* ([Exhibit F](#)), the Department begins to restate its position for the veterinary industry and defines veterinarians as retailers of tangible personal property they use in the treatment

of animals. The tax note also advises the veterinarian that the business must change to line-item invoicing in order to conform with the new interpretation or the lump-sum invoice which also includes veterinarian services will all be subject to the sales tax. This change in position does not come with a notice of a workshop for development of rulemaking or an explanation for the change.

In August 2016, the Department published *Tax Bulletin SUT 16-0006* ([Exhibit G](#)). The bulletin is produced by the Department 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 *Tax Notes* dated October 2013, [Exhibit F](#).

Historically, if there is a major change to tax law administration, the change comes as the result of a change in a statute, a referendum passed by the electorate or, possibly, a published court case. Historically, in any of those cases, the Department typically would enter into rulemaking under *Nevada Revised Statutes* 233B, the Nevada Administrative Procedure Act, first, to clarify the change, receive industry input and comment, second, to educate that industry group. In looking at the sequence of events, it is clear from 1955 to 2013, the veterinary industry was treated as a consumer of those supplies used in the business of its medical practice. The taxable transaction was when the vet took the supplies and bought the supplies that he or she would consume. It is also clear the veterinarians who sold products over the counter were retailers and subject to charging sales tax. We are here today to ask you to reaffirm that 58-year-old interpretation that veterinarian medicine providers are consumers.

CHAIR RATTI:

I want to clarify one thing. I am pretty sure you said it, but if the vaccination or medication or anything along those lines is used in the act of providing care, then it is exempt. If a product is sold over the counter, then it is taxed. Is that correct?

MS. SMITH CAMPBELL:

The historical treatment of the taxation is if a veterinarian purchases vaccines for the use of medical treatment, tax is paid on the vaccine when it is bought from the vendor. If the vendor is not registered with the State, the veterinarian will accrue it and report it monthly to the Department of Taxation. That part is

the consumer portion we are talking about. There is no exemption of tax. Drugs used in veterinary practice are not exempt as they are in human practice. If something like dog food is sold over the counter, the veterinarian becomes a retailer at that point, charges the consumer sales tax and remits it with their monthly report to the Department of Taxation.

MICHELLE WAGNER (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 has approximately 400 members. The NVMA is a coalition partner of Nevadans for Affordable and Accessible Animal Care and supports A.B. 439.

The NVMA has 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 told it had to charge sales tax on vaccines and injectable drugs. The majority of the service it was told to charge sales tax on was the administration of the drug or vaccine; the cost of the tangible personal property being used was *de minimis*.

Over the next one-and-a-half years I was contacted by several other practices that were going through sales tax audits and was told they needed to charge sales tax on other services provided in the veterinary practice, such as anesthesia. It became very apparent to the Association that the Department of Taxation was casting a wider-and-wider net over items it wanted sales tax charged on.

The most recent practice I spoke to told me it was informed by its auditor that it needed to charge sales tax on surgical packs. This is incorrect information as this item is 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 that they have dedicated their lives to. The NVMA supports A.B. 439 and urges you to vote yes on this important bill.

JAMES C. WILSON, DVM (Cheyenne-Tonopah Animal Hospital):

I will read my written testimony ([Exhibit H](#)).

SUSIE COSTA, DVM (Spencer Springs Animal Hospital):

I am a native of Las Vegas, a mother of two real children and two four-legged children which I also consider real. In 2014, I became the owner of Spencer Springs Animal Hospital in Las Vegas. I started working at Spencer Springs in 1995 as a receptionist, and I built my way up to practice owner.

The taxation issue has greatly affected Spencer Springs. The Hospital employs 35 people. The reason I do what I do is because I feel the human-animal bond is so powerful. I recognize it is only going to become more powerful as we go. I appreciate its strength every day that I work. My professional life consists of helping people and their four-legged children every single day.

I am here to ask for your support of A.B. 439. This matter affects every person who owns an animal. There have been several changes to the way veterinarians pay and charge sales tax as you have heard. The Department of Taxation considers veterinarians retailers instead of service providers.

Due to the Department's *Tax Notes* in 2013, [Exhibit F](#), veterinarians are now required to pay tax on every injectable medicine, vaccine, surgical implant, bandage and other medical items that are either left on a pet or injected into a pet. This creates a huge increase in price for the consumer and changes the way the Hospital structures its costs. The Hospital is now forced to separate out charges and create different accounting measures so consumers are not burdened with the extra cost of injections for their pet. This is the case whether they are lifesaving medicines or vaccines that help prevent the spread of disease to people and other pets. I am worried about our pet owners. I am worried about our older pet owners who have lost their spouses, live on a fixed incomes and may have a four-legged companion they rely on to bring them joy and a reason to live. I am worried about those individuals who have left their family elsewhere to find work here and have adopted a companion to help them make it through their day. I am worried about the disabled veterans who rely on their pets to help them walk, see and exist.

The Department of Taxation is forcing veterinarians, both suburban and rural, to charge the consumer unnecessary taxes on items that they have not paid tax on before. This tax treatment increases the cost for required veterinary care. I do not ever want to lose that bond between our veterinarians and our clients because that is truly the strongest bond I have ever seen.

JOHN BULLARD, DVM (Ann Road Animal Hospital):

I support A.B. 439. I have a slightly different perspective from most people here. I was born in the Bahamas, which is where I grew up. As a kid, I was shy, did not do well in school and did not have many friends, but I had two best friends. One was my grandfather and the other was my dog. When I lost my grandfather, my dog was there for me. At one point, the government in the Bahamas changed, and my father was out of a job for ten years. Through all of this, the human-animal bond is what took me through as a kid. That is the biggest reason why we are here.

As veterinarians, our concern is that this tax the Department has decided to levy upon us could increase veterinary bills anywhere from 20 percent to 30 percent. This increase could have a detrimental effect on preventative veterinary medicine. Preventative veterinary medicine includes things like vaccinations, deworming, things that help keep animals healthy and hopefully, in turn, keep their loved ones or the people who keep them or consume them healthy also. It is part of herd health mentality, which is the theory that says if preventative medicine is practiced on the majority of either humans or animals, it keeps us all healthy.

My clinic is in North Las Vegas. It takes care of the pets of people from middle-class and lower-income families as well as older clients on fixed incomes who live every day for their pet. People like Gram Ruth, my adopted grandmother through the clinic, with Molly. There is Miss Kingman who says to me every time I see her, "Dr. Bullard, if I lose my little furry, I will not be able to live; I have no reason to live." These are older people, their kids have gone, their spouses have passed away, they live by themselves and their pet is the only thing that gives them any kind of solace and enjoyment. I am here as a pet advocate asking the members of the Committee to support A.B. 439 because without it, our fur babies are going to be in major trouble.

DEBBIE WHITE, DVM (Lone Mountain Animal Hospital):

I am a small animal and exotic pet practitioner, and I have been in practice for 23 years in Las Vegas. I currently own two practices and employ about 20 veterinarians and about 100 support staff members. I support A.B. 439 because I am honestly asking for legislative protection. I am not comfortable that the Department is being clear on the tax code. I am concerned that the tax detail that will be required would make a priority of administration over patient care and, ultimately their safety. The added cost that a veterinarian

would need to comply would add a financial burden, and that financial burden will be passed on to the pet owner. As a veterinarian, we speak a lot about trust. It is a trusting relationship. My clients trust I am going to do the right thing by their pets, I am going to charge a fair price for that, and I am going to inform them in advance of those services, and what they can expect. An unintended consequence of taxing veterinary services is that it will damage that trust relationship, and it may drive people away from the veterinary office or make it unattainable for them to afford veterinary care. The appearance of the extensive line itemization that is necessary to list all of the items consumed within a veterinary service would be ridiculous. It would appear that we are nickel and diming our clients. Perhaps the best way to illustrate this is to walk you through a real veterinary scenario.

Taco is a Chihuahua that came to the veterinary office, he is the victim of a coyote attack. He is in shock. He is seen by the veterinary staff, taken back to the intensive care unit right away. A catheter is placed, he is administered fluids for shock, he is given intravenous medications for pain, antibiotics and other shock medications. His wounds are cleansed, disinfected and then bandaged. Eventually, he has surgery where he has drains placed and his wounds are repaired. He recovers and does well, so the story has a good ending. In the course of Taco's veterinary care, his services accounted for over 30 line items within that care.

Every pet is unique as is every emergency and surgery. It is impractical to expect that we can consider Taco's care the same as another dog that comes in a similar situation. It is unfair to spring that information on a client after the pet has been in the hospital setting. Additionally, the time it would take to account for all of the items used in veterinary services would be extraordinary. I would have to take a member of the team who is caring for Taco off the floor, and turn that person into an administrator, a pencil pusher, to account for all of the items for Taco's care or any other patient in the hospital.

As a business owner, I gladly pay the use tax on items used for veterinary services. I think that is important because it allows my veterinarians to use the discretion they need to provide care for a pet as they present in the hospital. This is the way veterinarians have been operating in the service industry, and it makes sense.

An additional concern I have is that of veterinary specialty-level care. In Las Vegas, we are fortunate to have the Las Vegas Veterinary Specialty Center. It houses all sorts of specialists from cardiology, surgery, internal medicine, to neurology, and it provides the veterinary community and the pets we care for a great service. Pets can get chemotherapy, they may have surgical appliances for fracture repair. It is a high cost for this type of veterinary care, and not everybody can afford it. By taxing these services further, my concern is that it will drive that level of care out of the hands of pet owners and make those services unavailable.

As a veterinarian who refers patients for these situations, treats patients on a daily basis and is a pet owner, I urge you to please support A.B. 439 so all pets will receive the care they need and will not be euthanized because they cannot get the care they need.

DENNIS WILSON, DVM (Animal Emergency Center):

I will read my written testimony ([Exhibit I](#)) which mentions [Exhibit F](#), [Exhibit G](#) and [Exhibit E](#) in the order listed.

DOUG BUSSELMAN (Nevada Farm Bureau):

We support A.B. 439 because of the clarification it provides for veterinarian services. In Nevada, veterinarian services are important for our farmer-rancher members. I understand that many of the analogies and stories you have heard today are based on individual animals and their treatment. Our members deal with veterinarians on a herd basis. Our concern is multiplied by that volume of interaction. We urge you to support this bill.

BRYAN WACHTER (Retail Association of Nevada):

You have heard a lot of reasons why A.B. 439 should be passed and why the new structure should be in place. We need to remember that it is not new. This was how the Department was treating veterinarians all the way up until 2016 with their Tax Bulletin, [Exhibit G](#).

What I want to talk about is S.B. No. 7 of the 77th Session. It is one of those page-and-a-half bills that everyone says is simple and intends to allow the Department of Taxation some method to provide direction to taxpayers without going through the regulatory process which typically takes three to six months. This is one of those unintended consequences like all bills have. I will read the three reasons why the technical bulletins were put into place from S.B. No. 7 of

the 77th Session: one, to provide information and guidance concerning specific issues; two, examples for clarification purposes; and three, any other information determined by the Executive Director.

What is not included in that is using a technical bulletin to recreate or restructure an entire tax system for a complete industry. We believe that should go through the regulatory process. You would not be here today listening to all these good veterinarians who spend their time with our animals listening to something that should have taken place during a regulatory process.

We believe the Department overstepped its authority when issuing the tax bulletin, [Exhibit G](#), to begin with on this specific issue. [Assembly Bill 439](#) solves this issue for veterinarians, and we strongly urge you to pass the bill. It is important to determine who is a retailer and who is not, who consumes products and who does not. That is something the Retail Association of Nevada takes particularly close issue with. What [A.B. 439](#) does not do is stop or limit the Department from doing this again or issuing a technical bulletin in another industry or another instance where a business's tax liability is recalculated as opposed to clarifying the meaning of law or providing examples of businesses. The Committee has heard from many of the veterinarians who requested information from the Department. We urge the passage of [A.B. 439](#). We also ask the Committee to look for ways to make sure this type of issue does not happen again, and the Department of Taxation accepts that this was a particular misstep of its authority and goes further by providing certain tax liability information later on.

PAUL MORADKHAN (Las Vegas Metro Chamber of Commerce):

We agree with the comments made by Mr. Thompson and Ms. Smith Campbell. They gave a great historical perspective of how this industry was treated by the Department for 58 years. The Chamber supports [A.B. 439](#) because when we look at tax policy and what constitutes sound tax policy, we look at the stability, simplicity and equitability. Underneath this particular bill, it provides a clarity the industry is seeking to clarify how veterinarians are treated as service providers within their business.

SHELLIE HUGHES (Department of Taxation):

The Department is neutral on [A.B. 439](#). I am here to provide you the steps the Department took to provide the information to the taxpayers.

Nevada Law indicates that sales tax is imposed on retail sales of tangible personal property. With that in mind, the Department issues *Tax Notes*. The Department issued several *Nevada Tax Notes* throughout the year that indicated veterinarians are consumers of property they use in the treatment of animals, but prescription drugs prescribed by veterinarians for treatment of animals are not exempt from sales or use tax, and veterinarians must charge and report sales tax on sales of other tangible personal property, such as dog food, medicines or other pet supplies.

After auditing some of the taxpayers, the Department noticed there was some confusion in the industry on the application of the law with transactions involving sales of tangible personal property, and this was specific to the sales of injectable drugs and vaccinations.

When the audits were performed, the Department informed the taxpayers to change how sales tax on these transactions was charged and collected. The Department issued another *Nevada Tax Notes* in 2013, [Exhibit F](#), to explain again that sales tax would be charged on tangible personal property, such as dog food, injection drugs, vitamins and other pet supplies sold by veterinarians. We did receive an advisory opinion request from a taxpayer on the issue. We worked closely with the Office of the Attorney General in drafting this opinion, and this opinion was consistent with how the Department interpreted the law. Because advisory opinions are confidential, the Department wanted to provide information on the matter to the industry as a whole, so a technical bulletin was issued on the matter. When drafting the technical bulletin, the Department worked closely with the Office of the Attorney General and also with NVMA on the content of the Bulletin. We brought the Bulletin for approval to the Nevada Tax Commission in 2016. [Exhibit G](#) was approved unanimously at that time with no public comment.

Of note, the Department is not double-taxing any of these transactions. If veterinarians were charged sales tax on the purchase of these vaccinations or medicines from their vendors, we do allow credit against any sales tax due from the resale of these vaccinations or medicines.

ASSEMBLYMAN ARAUJO:

I stand ready to work with anyone who may have any additional questions or follow-up items that I can help address during the Interim.

CHAIR RATTI:

I close the hearing on A.B. 439, and I open the work session on Senate Joint Resolution (S.J.R.) 14.

SENATE JOINT RESOLUTION 14: Proposes to amend the Nevada Constitution to revise certain provisions relating to property taxes. (BDR C-1123)

JOE REEL (Deputy Fiscal Analyst):

I will read the work session document ([Exhibit J](#)) for S.J.R. 14.

CHAIR RATTI:

There was testimony from assessors in the hearing on S.J.R. 14 regarding some of the mechanics of how this would work. I want everybody to know there were meetings subsequent to that hearing and David Dawley, who represents the Nevada Assessors' Association, is in the audience.

We know the assessment valuation happens once a year. There was a particular concern if a property is at point of sale, what happens to the timing of the assessment? I want to make sure everybody understands how it would work. It is a reset of depreciation at point of sale, but it is really a depreciation reset at point of sale based on the next valuation. Once the property is assessed again, the depreciation would reset. We asked the Legislative Counsel Bureau staff to look at that and make sure the language was structured in a way that could happen because we also had discussion at the hearing about the need for Interim work to do some of the mechanics, or there might have to be some modifications to NRS. We were assured that the way the constitutional amendment is written, the Constitution would allow the amendment to be enacted in that way. I wanted to let you know that was addressed, and Mr. Dawley is here if there are any technical questions regarding the assessment process.

The other thing I want to note is we still have Assembly Concurrent Resolution 7 which calls for an Interim Committee on property taxes. If that moves forward, this Committee will address other questions and other issues around property taxes. There was particular testimony at the hearing about obsolescence and how many properties would be pushed into obsolescence and would require calculations. That is something we would tackle during the Interim to make sure we have clarity before this is voted on the second time in 2019. There is Interim work to be done. There is a proposed Interim Committee

to do that. Perhaps some other modifications would be needed in NRS, but S.J.R. 14 is to start the constitutional process.

ASSEMBLY CONCURRENT RESOLUTION 7: Directs the Legislative Commission to conduct an interim study concerning property taxes. (BDR R-1049)

I am looking for a motion.

SENATOR FORD MOVED TO DO PASS S.J.R. 14.

SENATOR FARLEY SECONDED THE MOTION.

SENATOR KIECKHEFER:

I am going to support the resolution under this logic. If this passes, no one's property taxes are going up. If it passes again in 2019, no one's property taxes are going up. If it goes on the ballot in 2020 and is approved by the voters, no one's property taxes are going up. It maintains the protections for homeowners from being taxed out of their property.

What it does, in my mind, is allow property to reset to what is maybe not full-market value but at the natural level of taxation for that property under Nevada's existing law. We talk a lot about equitable and fair taxation of property. Our current structure that allows property tax bills on multimillion-dollar mansions to be lower than property tax bills on smaller single-family homes—while it may be fair and equitable under our laws and for the provisions in Nevada's Constitution—lacks fairness, equity and common sense. I will be supporting it and looking forward to seeing how it progresses over time.

SENATOR GANSERT:

At this time, I will not be supporting the measure. The property tax is complex. We definitely need to have an Interim study on that. I am open to looking at this further.

SENATOR FORD:

I am going to be supporting this as well under the same rationale as my colleague Senator Kieckhefer has laid out. It is important to note those caveats because there is some misinformation out there, relative to the emails you are receiving, indicating that taxes are going to go up as a result of this. That is

simply not the case. I do not know if the Senator mentioned this or not, but this ultimately provides us an opportunity to make provisions for people who are on fixed incomes and help our seniors, which is an important component of this bill. That is something we are constrained against doing right now because of the current status of our law. Looking long term, this is a good approach to handling the property tax issue.

THE MOTION CARRIED. (SENATOR GANSERT VOTED NO.)

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CHAIR RATTI:

I will open the hearing on A.B. 231.

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

MR. REEL:

I will read the work session document ([Exhibit K](#)) for A.B. 231.

SENATOR KIECKHEFER MOVED TO DO PASS A.B. 231.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR RATTI:

I would like to enter a letter from Tray Abney, The Chamber, in support of S.J.R. 14 ([Exhibit L](#)) into the record.

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Chair Ratti:
This meeting is adjourned at 4:39 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	5		Attendance Roster
A.B. 439	C	6	Barbara Smith Campbell	Nevada Tax Commission Compendium of Rules
A.B. 439	D	2	Department of Taxation	<i>Nevada Tax Notes-January 1997</i>
A.B. 439	E	4	Department of Taxation	<i>Nevada Tax Notes-January 2007</i>
A.B. 439	F	4	Department of Taxation	<i>Nevada Tax Notes-October 2013</i>
A.B. 439	G	4	Department of Taxation	<i>Tax Bulletin SUT 16-0006</i>
A.B. 439	H	1	James C. Wilson	Written Testimony
A.B. 439	I	2	Dennis Wilson / Animal Emergency Center	Written Testimony
S.J.R. 14	J	2	Joe Reel	Work Session Document
A.B. 231	K	1	Joe Reel	Work Session Document
S.J.R. 14	L	1	Tray Abney / The Chamber	Letter of Support