

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

**Seventy-ninth Session  
March 28, 2017**

The Senate Committee on Revenue and Economic Development was called to order by Chair Julia Ratti at 3:42 p.m. on Tuesday, March 28, 2017, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4404B 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 Michael Roberson  
Senator Heidi S. Gansert  
Senator Patricia Farley

**GUEST LEGISLATORS PRESENT:**

Senator Scott Hammond, Senatorial District No. 18  
Senator Joseph P. Hardy, Senatorial District No. 12  
Senator Becky Harris, Senatorial District No. 9  
Assemblywoman Lisa Krasner, Assembly District No. 26

**STAFF MEMBERS PRESENT:**

Russell Guindon, Principal Deputy Fiscal Analyst  
Joe Reel, Deputy Fiscal Analyst  
Rocky Cooper, Legislative Auditor  
Colleen Lennox, Committee Secretary  
Tina Nguyen, Committee Manager  
Lex Thompson, Committee Secretary

**OTHERS PRESENT:**

Elisa Cafferata, Commission for Women

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Stacey Shinn, Progressive Leadership Alliance of Nevada  
Tess Opferman, Nevada Women's Lobby  
Lea Tauchen, Retail Association of Nevada  
Tray Abney, The Chamber  
Steven D. Hill, Director, Office of Economic Development, Office of the Governor  
Dagny Stapleton, Deputy Director, Nevada Association of Counties  
Wes Henderson, Executive Director, Nevada League of Cities and Municipalities  
Robert Hooper, Executive Director, Northern Nevada Development Authority  
Debbie Sheltra  
Mary Anne Healy  
Cheryl Blomstrom, Nevada Taxpayers Association  
Michael E. Clark, Washoe County Assessor  
Lisa A. Gianoli, Washoe County  
Douglas W. Sonnemann, Douglas County Assessor; Nevada Assessors' Association  
Ray Bacon, Nevada Manufacturers Association  
Jonathan P. Leleu, International Market Centers  
Peter D. Krueger, Nevada Petroleum Marketers Association; Western Petroleum Marketers Association  
Bryan Wachter, Retail Association of Nevada  
Justin Harrison, Las Vegas Metro Chamber of Commerce  
Randy Soltero, International Alliance of Theatrical Stage Employees Local 720  
Brian McAnallen, City of Las Vegas  
Fran Almaraz, Teamsters Local 14, Local 631, Local 986  
Laura Sims, Teamsters Local 631  
Doug Scott, Assistant Director, Assessor's Office, Clark County  
Lisa Logsdon, District Attorney's Office, Clark County  
Joshua J. Hicks, Bennett Medical Services; Alliance to Stop Taxes on the Sick and Dying  
Doug Bennett, Chairman, Bennett Medical Services; Alliance to Stop Taxes on the Sick and Dying

CHAIR RATTI:

We will hear testimony on Senate Bill (S.B). 343 from Senator Patricia Farley.

**SENATE BILL 343**: Requires the Office of Economic Development to collect and report information related to gender equality in the workplace. (BDR 18-990)

SENATOR PATRICIA FARLEY (Senatorial District No. 8):

I would like to introduce S.B. 343. This bill will shed some light on the critical nature of gender equality in the workplace. Although parity in the workplace has improved in recent decades, full equity among all employees is still a work in progress. All employees deserve a work environment promoting gender equality, including equal pay between women and men for equal work and one that fosters workplace consultation between employees and employers on issues concerning gender equality. Employees should expect to have the same access to all occupations and industries including leadership roles regardless of gender.

Employers need to take a larger role in removing barriers to the full and equal participation of women in the workforce and promote the elimination of discrimination on the basis of gender in employment matters, including family and care responsibilities. Gender equality in the workplace helps promote productivity and competitiveness among all professions.

Senate Bill 343 requires the Governor's Office of Economic Development (GOED) to design and conduct an annual survey of employers in Nevada for the purpose of collecting data and information from those employers relating to the issues of gender equality. "Employer" for purposes of the survey is defined as one who performs a service or engages in a trade for profit and has 50 or more employees. To help participation and save costs, the survey may be conducted using a Web-based system. If an employer does not respond, the Office may rate the employer regarding gender equality if the Office is able to obtain sufficient relevant information about the employer.

The Gender Inequality Index (GII), which measures gender disparity, was formally introduced by the United Nations Development Programme in 2010. Its roots date back to the mid-1990s when the United Nations was evaluating the advancement of women as a significant issue that impacted growth and development of nations. The implications of the GII have a clear connection with and can be applied to businesses and workforce in Nevada. The Human Rights Campaign has been surveying many Fortune 500 companies for the past 15 years as part of its Corporate Inequality Index.

Senate Bill 343 requires GOED to use data and information collected in the survey to create and maintain annually a Gender Equality Index (GEI) that scores or rates each employer on issues of gender equality in the workplace. The Office must make the Index available on its Website. The Office will prepare and

submit a report on workplace gender equality to the Governor and the Legislature.

This bill provides flexibility to GOED in the design of the GEI. An index like this includes information regarding labor force participation, recruiting strategies, paid leave policies, multiculturalism in the workplace, employee benefits promoting women's health, and community outreach encouraging equality in business practices. This data can give us useful information regarding business practices throughout the State. As policymakers, we can use the GEI to help identify areas where improvement is needed. It can recognize industries that have engaged in strong and robust gender equality practices.

I urge your support on this important measure.

SENATOR BECKY HARRIS (Senatorial District No. 9):

I am happy to be a cosponsor because this bill is important and a great concept that will help move the needle for women as we begin to understand the economic contributions women are making to our economy, what women's upward mobility is, how they are utilizing their education and how they are being treated in the workforce. This gives an opportunity to capture data that has not been captured previously. As we look at salary ranges and how employees are treated, we will be able to ensure women are being treated equally.

ELISA CAFFERATA (Commission for Women):

The goal of creating a GEI Report Card can be an economic development tool. Companies that do well on this report can be a positive incentive for people looking for a job in Nevada. It will show that companies on the GEI are doing what is needed to promote equality for women throughout the company and not just at one salary level while putting the work into developing the companies' full workforce. It also creates an incentive for companies to be on the GEI. Companies would want to make sure they are listed with full stars or whatever the scoring system is. It creates an incentive for companies to do better in our State.

We have discussed some friendly amendments with the sponsors to make sure the Nevada Commission for Women receives the report. It fits squarely in our mission of advancing equality for women.

SENATOR FORD:

Thank you for bringing forward this bill. I am excited about it.

Has a GEI been employed elsewhere successfully? If you know where the index has been employed, can you give examples? Has it led to improved and increased equality for women in the workplace?

MS. CAFFERATA:

I do not know of any large jurisdictions that have put the GEI in place. Several local jurisdictions have implemented the GEI program, but it is somewhat new. We can do some research on examples of the results that we have seen.

The GEI is modeled after the Human Rights Campaign's (HRC) Corporate Equality Index. The HRC's Website has an online index with a guide for people in terms of employment and shopping. You can use that report if you are interested in companies that have made an investment in equality for LGBT people.

SENATOR FORD:

That is exactly what I was thinking. My understanding is by instituting the HRC report, it has increased and improved relations among companies as well as members of that community. Parroting that report as an opportunity for women's equality in the workplaces is good idea.

SENATOR GANSERT:

I have questions regarding having 50 or more employees and GOED doing the survey instead of Department of Employment, Training and Rehabilitation (DETR). Why did you choose GOED and why 50 employees? When I think of studies or surveys of this type, I think of very large companies, companies that have the resources to be able to provide this kind of data. These companies probably already track this type of data to make sure they are considering diversity and making sure their pay is equal and so forth.

SENATOR FARLEY:

Nevada is 90 percent small- to mid-size businesses. A lot of the large casinos actually do pride themselves on several progressive initiatives. The idea is to start promoting a culture of women and women's advancement. By the time you have 50 employees, you have some level of a modern management structure and may want to have a board. By 50 employees, you have senior

management and or a corporate level group of employees. Fifty seems like a sweet spot to start the conversation. Looking at some of the questions, it is not pulling mass employment data or anything like that. It is just answering questions about your company for the Website.

MS. CAFFERATA:

Fifty or more employees was selected because that is a point at which you do certain Equal Employment Opportunity Commission reporting. There are certainly other thresholds that we can look at to be logically consistent with other reporting that the Legislature does, whether it is 50 or 100 employees; we can discuss that.

In regard to GOED, I have assured GOED Director Steve Hill we are open to a conversation about where the GEI lives. Maybe DETR is a better choice. Assemblywoman Spiegel's bill, Assembly Bill 106, envisions incorporating part of the GEI questionnaire into the purchasing system, which would be in the Department of Administration. We want GEI to be in a logical place that does not add to anyone's duties and is consistent with whatever department will administer the GEI. We are open to input.

**ASSEMBLY BILL 106**: Revises provisions governing government contracting.  
(BDR 27-295)

The questions we envision asking that have been used in the HRC report include: How many women versus men directly report to the CEO? How many men versus women are on your board of directors? Do you have a family leave policy? Do you have an internal development policy for advancing women? We do not want companies to generate reams of reports. We want it to be something that could go to Human Resources and be completed by one person that has access to the information within an hour.

SENATOR KIECKHEFER:

In deciding in which department the GEI will end up, DETR through unemployment insurance and the Department of Taxation with ongoing regular contact with all businesses in this State are possibilities. Requiring GOED to do so anew is probably what leads to some of the \$340,000 fiscal note. It would alleviate some of that fiscal note by realigning responsibilities with people already in contact with businesses in Nevada.

SENATOR HARRIS:

When originally contemplated, the bill potentially was thought to be a tool for economic development. That is why GOED was selected. As Ms. Cafferata testified, we are open to placing the GEI into whichever department is amenable. The conversation began with GOED because of its contacts.

SENATOR KIECKHEFER:

There is nothing in the bill regarding confidentialities. With the bill as written, every individual company's survey would be public record. Is that the intent?

SENATOR HARRIS:

No, when we originally talked about it conceptually, it was not the intent nor was there any intent for this to be punitive. It is simply a reporting mechanism. When individuals want to support businesses that have a high gender equality index, they have the necessary information to choose who they do business with.

SENATOR KIECKHEFER:

The idea is it would be a cumulative score that is issued, but the basis upon which the cumulative score gets put together is not verifiable independently?

SENATOR HARRIS:

The records could be given to an agency for review independently within terms of making it accessible to the general public. Many businesses might feel it is crossing the line in terms of information they are willing to disclose about their business. We want appropriate transparency, but we do not want to be delving into proprietary information or business records that were never intended to be public.

SENATOR GANSERT:

Indexes can be difficult because you have different types of industries. You have construction industry, gaming, technology, so how would that work? Would you index companies based on their industries, or is the index applied across the board?

MS. CAFFERATA:

The HRC report that this is modeled on is done by industries, so retail is compared to retail, gaming is compared to gaming.

CHAIR RATTI:

In reference to the fiscal note, I just want to make sure the Committee knows there is a new fiscal note that has been submitted. If you are looking at the \$341,000 for the biennium number, it is now \$650,000 for the biennium. The conversation regarding which is the right department that the GEI ends up might affect that. I want to make sure the Committee is informed of the change.

I also want to mention that Jan Jones Blackhurst, Executive Vice President, Public Policy and Corporation Responsibility, Caesars Entertainment is very enthusiastic about this bill and wants her letter of support entered into the record ([Exhibit C](#)).

STACEY SHINN (Progressive Leadership Alliance of Nevada):  
Progressive Leadership Alliance of Nevada supports S.B. 343.

TESS OPFERMAN (Nevada Women's Lobby):

We support all forms of research when it comes to gender equalities. We support this bill.

LEA TAUCHEN (Retail Association of Nevada):

The Retail Association of Nevada opposes to this bill. While we certainly want to encourage businesses in Nevada to enact gender equality practices, we are concerned with some of the provisions in the bill.

Section 2 defines employer as having 50 or more employees. We consider this to be a small sampling. It may be difficult to make an accurate assessment or find meaningful correlations using businesses of that size.

In section 3, subsection 2, paragraph (a), it mandates that GOED makes the index ratings on these businesses available online. We understand from the support testimony the goal is to recognize employers who are doing the right thing. We are worried about the potential for public shaming of businesses that are not doing well in GEI. We are concerned with publicizing the company's score as it may affect their future performance, productivity or ability to retain top talent. Finally, in section 4, if a business chooses not to respond to the survey, GOED may rate the company by obtaining information from other sources. We are concerned as to the validity or factual nature of the sources that may be referenced, especially if they are from online sites such as



Glass Door, Rate My Employer, Yelp or other social media sites where disgruntled employees may enter their grievances.

TRAY ABNEY (The Chamber):

I will echo the comments that Ms. Tauchen just stated and want to thank Senator Farley, Senator Harris, and Ms. Cafferata for working with us on the concerns. We have talked with them about this bill over the last couple of weeks.

We are certainly not opposed to the concept, but it is a wide span of companies that we are talking about here. We are not talking about large, publicly traded companies. We are talking about companies to Senator Gansert's point, of 50 employees or larger. That could be a couple restaurants.

We are also concerned, as Ms. Tauchen mentioned, regarding public shaming. It is one thing setting up a system where it shows how great these companies are with seals of approval and how companies should strive to be like these companies. It is another thing if you start giving green light and red light ratings where you list companies with red lights. We should talk about the green light companies and let people know these are good companies to model your company after. The way this bill is written, it is very broad and can have some unintended consequences for some small employers.

SENATOR FORD:

I want to go through a couple of your comments one by one. If 50 employees is too small, what number gets you to support the bill?

MR. ABNEY:

I am not sure about that. Usually, like the Human Rights campaign, these are large, publicly traded companies.

SENATOR FORD:

How do you define large?

MR. ABNEY:

Usually publicly traded corporations have boards and CEOs. However, many companies do not have boards and CEOs. How many women report to your CEO? Or how many women are on your board? Most companies do not have anything like that.

I do not know what the magic employee number is, but it certainly should be narrowed to large companies that can do all of that is required. Maybe we could have a certification system listing all the good companies that have gone through this process. Then encourage other companies to do the same, without shaming the ones who do not comply.

SENATOR FORD:

Ms. Tauchen, what is your position?

MS. TAUCHEN:

Publicly traded companies are what we had in mind from some of the sources we looked at online and that are doing this globally or in other jurisdictions.

SENATOR FORD:

Neither of you can provide the sponsors a number? You just want publicly traded companies. Are you saying that is the criteria before a company can be subjected to the gender equality index?

MR. ABNEY:

Subjected to is a good way to put it. I am not going to negotiate against myself. We will work with the sponsor on language. I do not know what that magic number is. Large corporations that have the capability to do this would be a good place to start.

SENATOR FORD:

It seems vague when you say large corporations. Should they have a specific number like 50? I am certain the sponsors are willing to work with you on an actual number. We will need that in order to move forward.

You indicated section 4 is problematic. What alternative do you have, Ms. Tauchen? Do you have a suggestion on how we can amend that language to make it work?

MS. TAUCHEN:

We are concerned about the broad nature of that section. The bill did not specify where the GEI staff would obtain that information. If it is the Internet, we are concerned about what sources may be used. Having heard the testimony, we understand the survey would focus on answering specific

questions. We can look at some language that would narrow that sufficiently and provide it to the bill sponsor.

STEVEN D. HILL (Director, Office of Economic Development, Office of the Governor):

This is not typically the mission of GOED. We certainly do not have the expertise in-house which is what generated at least a portion of the fiscal note.

We have a few questions. If this is GOED's responsibility going forward, for example, is the expectation that we would seek responses, contact businesses to encourage them to file or just receive the information from the businesses? There are more than 4,000 businesses in the State with more than 50 employees. There would be some effort needed if we were expected to reach out to businesses.

Would it be GOED's responsibility to screen or audit the responses that we receive from those businesses?

The issue of other information out there is a broad variety of potential information. Is the expectation GOED would look for that information or do we look for the full breadth of that information?

Considering that information is more than likely not sufficient to have completed the survey, how would GOED analyze that?

We were not aware of the methodology behind the index, so part of our fiscal note was developing that methodology and the index from scratch.

Those were issues GOED saw in considering the responsibility for implementing the intention of this bill. I am happy to follow up with the sponsor if it remains our responsibility.

CHAIR RATTI:

You have a broad understanding of the business community and the bureaucratic administration. Would you be willing to assist the sponsor with finding the right match within the State system?

MR. HILL:

Absolutely.

SENATOR FARLEY:

We will work with those in opposition. They have raised some good points. I will work with Senator Harris to get the appropriate amendments back to the Committee for review.

CHAIR RATTI:

I place written testimony in opposition of S.B. 343 from Aviva Gordon and Amber Stidham for the Henderson Chamber of Commerce into the record ([Exhibit D](#)).

We will close the hearing on S.B. 343 and move on to S.B. 345, which Senator Farley will present.

**SENATE BILL 345**: Revises provisions relating to economic development.  
(BDR 18-500)

SENATOR PATRICIA FARLEY (Senatorial District No. 8):

I am here to present S.B. 345 which makes important changes to how the State reviews and monitors economic development incentives.

Over the past few years that I have been in the Senate, the Legislature has approved millions of dollars in economic development incentives. The Office of Energy and GOED approve incentives at the administrative level every day.

Although the bill is 52 pages, there are only 4 changes to the law designed to improve the decision-making process, increase transparency and accountability.

Because property and sales tax abatements have a big impact on the revenues for education and local governments, the first change is to require applicants with abatements worth \$250,000 or more to consult with the local governments affected, including school districts. They must also prepare a statement of the fiscal impacts for their business, which would include the following: costs and extent of the infrastructure expansion; direct and indirect economic impacts on the local governments; impact on housing needs; number of jobs expected; and projected tax revenue increases. The abatement applicant would then submit the fiscal impact statement to each affected local government.

Within 30 days of the submittal of the statement, the county commission will be required to hold a hearing and take the comments from all affected local governments.

Within 14 days after the hearing, the board of county commissioners must recommend either approval or denial of the abatements. If the commission fails to act within 14 days, it will be interpreted as not recommending the project.

At the conclusion of the process, the applicant will submit the fiscal impact statement and the board of county commissioner's recommendations, if any, with its application to GOED or the Office of Energy.

This change in the abatement application process will ensure that the State agency reviewing the application will have more information on the impact of the proposals and allow local governments to have a voice. This is something that has been woefully lacking to date.

The second component of the bill is the requirement that the Department of Taxation include these fiscal impact statements in its tax expenditure report submitted to the Legislature every other year. That will ensure that these fiscal impact statements are publicized, improving accountability and transparency.

The third component fills the auditing gaps that exist, despite other auditing requirements. It requires the Legislative Auditor to conduct an audit of persons who receive an abatement valued at \$250,000 or more to determine if the person is employing workers who are not legally entitled to be in the U.S. or working here. The audit would also make sure the person is complying with federal and State labor laws and licensing requirements for the business or involved professionals.

The fourth component of S.B. 345 requires inclusion of a five-year business plan for the State for economic development. Like any good business plan, the bill requires the five-year plan to include: a list of industries being focused on and the reasons for that focus; the costs and benefits of focusing on those industries; the direct and indirect effect of those industries on local governments; and for abatements worth \$250,000 or more, the goals to be achieved, the protections provided, the costs and benefits, and evidence that the business can achieve the stated goals.

The benefits of these changes to the decision-making process will also significantly improve transparency and accountability.

Everything entailed in this bill is based on best practices from other major metropolitan areas. It is based on their economic development boards and how they seek not only to bring companies to their state, but also how they account for the impacts to the locals, residents and taxpayers.

SENATOR GANSERT:

When you talk about the fiscal impact statements, those are all created by the business that would be requesting the abatement. The business will figure out the different statements, and then those statements go to the county commissioners?

SENATOR FARLEY:

No. The business would have to meet with the local host city or county. The impacts would be part of the application process. The county or city would develop what those impacts would be, based on the business plan.

SENATOR KIECKHEFER:

In section 3, subsection 1 of the bill it mandates the Legislative Auditor to perform an audit of not just the company receiving any abatement, but any person performing work on the construction of a project for which such an abatement has been granted. It mandates that every business doing work on that site open all of their books to their inspection. Is that the intent?

SENATOR FARLEY:

No, but given the deadline for the bills and the ability to review, we are working on a couple of amendments.

SENATOR GANSERT:

The way that I read the bill, the person who intends to locate or expand a business in the State determines the fiscal impact statement. The business works with the different municipalities, but the company actually determines the fiscal impact statement and those are forwarded. Is that the intent, or were you thinking the municipalities create the fiscal impact statements?

SENATOR FARLEY:

The statements have to be approved by the municipalities. I am not 100 percent familiar how this process works from the ground up, but my understanding was the applicant would meet with locals. The locals would understand what the impacts were and a statement from the host city and/or county would be provided to the county commission. I will clarify that.

DAGNY STAPLETON (Deputy Director, Nevada Association of Counties):

We support this bill. Many of the abatements granted by GOED are local taxes including property, sales and use taxes.

Nevada Association of Counties (NACO) appreciates the provisions in this bill, specifically in section 1 that increased the analysis of the potential class of benefits of proposed abatements to counties. It was our understanding it would be the applicant's responsibility to work with local governments and generate that impact statement as a part of the application process.

The bill also creates a better mechanism for counties to provide input during the abatement approval process. Specifically, adding analyses of the economic benefit of the new business to the county, the potential impact to county infrastructure, services from the project and the impact to county revenues will be helpful for counties as they consider proposed abatements.

Counties have long been of the opinion if county tax dollars are being abated, counties should have a say in the granting of the abatement. Though this bill does not change the statute to grant authority to counties to approve or deny abatements, it does create a more formalized process for local governments to provide input and recommendations on proposed abatements to GOED.

WES HENDERSON (Executive Director, Nevada League of Cities and Municipalities):  
Ms. Stapleton said our position very well, and we appreciate the opportunity for cities to participate in granting of abatements in a more formalized process. Usually, the taxes that go to local governments are the taxes that are abated.

CHAIR RATTI:

Do both of you think the bill as written provides enough clarity for what might be in those impact statements?

MS. STAPLETON:

We looked at the bill when it came out, and NACO does believe it provides enough additional measures by which the impact of the abatements would have to be measured. We are comfortable and appreciate the sponsor writing that into the bill.

MR. HENDERSON:

At first glance we think they do, but after some of the earlier testimony and questions, we want take another look at it. We are willing to work with the sponsor to clarify anything.

CHAIR RATTI:

I would like a review from some of your planning staff at some of your local jurisdictions. There are projects that we do with economic impact statements. These are projects of regional significance that have some detailed guidelines on what goes into those statements. I like that the burden is on the applicant, but to get some consistency across the State, we want to have some pretty specific guidelines as to what goes into the impact statements.

MS. STAPLETON:

We would be happy work with our members. We will look at exactly what they do and are interested in to make sure this bill complies. We will get back to you.

ROBERT HOOPER (Executive Director, Northern Nevada Development Authority):

I oppose this bill. If S.B. 345 were enacted, it would create a barrier of entry for companies that are considering our region or our State for relocation, out-of-state expansion or even for our current employers looking to expand.

The analysis being asked for would impose an inordinate cost and scheduling risk to the companies involved. Asking a company to evaluate total impact costs to a local county is beyond the scope of the company's ability, even in working with the local governments. There is not a method right now for that to be done.

When I was Chief Operations Officer for a manufacturing plant here in Carson City, I had employees ranging from South Lake Tahoe, Spanish Springs, Yerington and everything in-between. How does one measure the impact with that many secondary and induced jobs of a large project? How do you meter



that out beyond the counties? That formula just does not exist right now. To be asking companies to do that is a big burden.

When we work to promote attractions and work with local employers where we are competing for expansion, this becomes a negative. We recently were able to get approval for a major expansion in our region. If this had been in place, it would have stopped the expansion, and this is one of our larger employers in this region.

The impact statement does not look at the regional impact. It looks at the specific county and city basis, which is really hard to unwind. New and expanding companies provide more positive impact than negative impact. You have to look at the net impact. We do that with the applied economics models we provide when we bring a company in for incentives. It shows primary and secondary induced jobs and how much economic impact is going to be created. That is for a broad region. That is the basic unit. With the current process, that kind of information should suffice to make everybody feel warm and cozy about the fact that we are getting a new company or expanding company. The opposition of that is zero. This bill creates a problem for us in economic development.

ROCKY COOPER (Legislative Auditor):

I would like to comment on section 3, subsection 1. If an audit were directed for our office to perform, it would be through the Legislative Commission which approves our two-year audit plan. I want to make that clear. If there is an impact to our office or we would need to do multiple audits, the audit would flow through the Legislative Commission. At that point, the Legislative Commission would provide approval to do those audits.

CHAIR RATTI:

I would like to clarify it is your understanding of the bill that you would not necessarily audit every company that receives an incentive, but only those that the Legislative Commission directed you to?

MR. COOPER:

The way it is worded, it says as directed by the Legislative Commission. We would not go out and do every audit on every one. It would be dependent on what the Legislative Commission directs us to do. The Legislative Commission approves a two-year audit plan for us. If there were many audits that needed to

be performed, I would have to express my concern regarding the workload that our office would take on. I am neutral on the bill and I am happy to do audits that the Legislature approves.

MR. HILL:

In section 1, subsection 1, which relates primarily to the fiscal impact statement and consultation with each local government, we want to make it clear that GOED does a majority of this work already for each abatement regardless of size. Our economic impact analysis is a combination of economic and fiscal impact. We project jobs, economic impact both direct and indirect, tax revenue that will be generated and the proposed value of the abatements. That information is made public prior to the Board of Economic Development meetings and remains on our Website. We do not project the need for housing. My question would be if more is intended here than simply the ratio, which is very consistent. There are basically 1.3 jobs per household in Nevada and in the Country. That number does not change much over time. If the ratio of 1.3 to 1 is sufficient, it will be relatively easy to provide that. If there were more work intended, it would be more difficult.

The way GOED reads this bill is it would be the responsibility of the business to perform the fiscal impact statement in conjunction with each local government. Most businesses would struggle to do that. The business would probably need to hire that out. It would be a meaningful expense and somewhat of a deterrent for particularly the smaller businesses, which still could fit into the \$250,000 abatement or more because that is over a 10-year period.

Our concern would be accuracy as well. Given there are a number of different ways to perform economic and fiscal impacts, we have seen several that are inflated. We tend to use an approach that is relatively conservative.

The requirement for determining the impact on services and infrastructure and the description of the need for creation or expansion of services seems potentially very broad. I am not quite sure what is meant, but there are hosts of services that the State and local governments provide the citizens throughout the State. If that could be narrowed that would certainly be helpful unless the intention is to address every service that might be available in that community.

The final point in the section was the dollar effect on local government. We calculate the amount of the abatements. If that is what is intended, we would

ask that it be made clear. I am not sure what different approach might be intended by the bill, but it could be very broad and difficult to pinpoint.

SENATOR KIECKHEFER:

With the way it is structured and the requirement that these companies must go through this entire process before they can even apply to your Office for an abatement, you cannot negotiate in confidence anymore because it is going to get out. If companies are talking to every local government, everybody is going to know who is shopping and looking. Is that going to undermine your Office's ability to work with companies and site locators?

MR. HILL:

That was part of my first series of comments in section 1, subsection 2. Yes, that would be a concern. Many companies that are looking to either move or expand have reasons for not wanting the information leaking to their employees which could unnecessarily cause concern. Publicly traded companies also have concerns about that information getting into the public market.

Section 1, subsection 2, the requirement, as GOED reads it, is that the companies must work with the local governments and receive the determination from the county commission prior to being able to make an application to our Office. There is a significant chance that businesses would go through that process with local governments and potentially find that they are not eligible for abatements. We deal with a number of companies that we end up having to tell they do not meet the eligibility criteria the State sets. The prohibition from applying to our Office prior to entering into the process with local governments could be problematic.

We have a process in place for allowing local governments to have input. We are required, by law, to provide notice to local governments 30 days prior to our Board meeting considering any application for abatement regardless of size. That notification goes to all local governments. They get information that we have put together along the way. The fiscal and economic impact is also made available to them. During the 5 years I have been in this position, we have sent that information for nearly 200 applications that have gone before our Board. We have yet to receive any negative feedback from local governments as a result of that process.

Working with the Legislature and the Governor, GOED helps develop a State policy for economic development. Either companies meet those criteria or they do not. As a result of that policy definition and method, we feel that we are not picking winners and losers. If companies are being approved we do not think are appropriate, the Board can change its policy. We have come to the Legislature to narrow our policy and to shape it in way that more closely conforms with the intent of the Legislature and our Board. We have done that in each of the last two Sessions, and believe we will do that again this Session.

Consistency in Statewide policy makes sense and is important. As mentioned earlier, introducing a second stage in this process not only slows the process down, it creates uncertainty. It also creates concern with respect to confidentiality. It would be a deterrent to economic development effort.

In section 2, subsection 2, paragraph (b), there is a requirement for GOED to create a 5-year business plan for the State which is part of the State plan for economic development. It is important to understand how we view our State plan, what it represents and what GOED does with that.

Generally, GOED responds to opportunities. Some are not anticipated or could not be put into a State plan. It consumes a lot of the work we do. We develop business cases not only for industries, but also for specific companies. We let those companies know what opportunities we see for them in this State and the best fit as we see it. At times we attempt to drive an economic agenda in the State which always involves the Legislature. This includes our effort to attract the designation as a test site from the Federal Aviation Administration and grow an Unmanned Aerial Vehicle industry, as well as grow the data center industry and aviation services in this State.

Outside of abatements, the Catalyst Fund and the Knowledge Fund, GOED really does not have resources to drive a State Business Plan. Businesses both in the State and looking at the State are drives what that State Business Plan would be.

We can address criteria and benefits, but we will need to work with the sponsor to understand what is meant by costs, particularly as it relates to the impact on local government and a plan.

In section 2, subsection 2, paragraph (b), subparagraph (6), GOED is not sure if that section was intended to be part of a 5-year business plan for the State or individual abatements and projects that we are aware of on a case-by-case basis. As a part of this five-year State plan, we were not sure how we would know what those projects would be or what the goals, costs and evidence would entail. On a stand-alone basis would be a different conversation.

Section 3, subsection 1, regarding the Legislative audit: our questions would be when those audits would take place, how often, are they related to work that GOED would do, such as abatement approval or the continuation of abatements? As for the confidential information mentioned in the bill, GOED would want that information to remain confidential moving forward.

CHAIR RATTI:

Have you had an opportunity to work with the sponsor, or have you shared your concerns prior to this hearing?

MR. HILL:

No, we have not because the bill has not been out very long, but we will do that.

SENATOR FARLEY:

I have not had a chance to work with Mr. Hill because of timing. We researched major metropolitan cities who had emerging markets and how they were functioning with their economic development and goals. Everything in this bill includes research of probably the top five cities in the economic development game.

Every time I have been here for a Special Session or other occasions, local governments have stated they have not been invited to the table to talk about the economic development process and impact. There is some dissatisfaction with how things come to fruition and then are laid at their doors.

There is quite a bit of chatter in the business community regarding what are we doing, where are we going, what is the plan? Somebody is paying tax dollars to give out those abatements. That is apparent by how many bills we have seen introduced this Session on this subject wanting more accountability and more transparency from GOED. I look forward to working with Mr. Hill and some of

the other folks who have contributed to the bill as we move through this process.

SENATOR ROBERSON:

As far as I am concerned, Mr. Hill is the best director of economic development in the Country. He has a record that evidences that. To the extent he has concerns with this bill, I have serious concerns with this bill.

CHAIR RATTI:

In regard to the piece about talking to GOED first because a company might not even qualify for the abatements, was there any particular reason for the sequencing?

SENATOR FARLEY:

It should be the locals that give the impact statement. It should come from GOED sending the applicant to get the information from the locals, then getting it back from the counties. We will work together to get through these concerns.

CHAIR RATTI:

I would like more clarity offline about the intent piece. We talked about the fiscal impact. Is that the abated taxes or is fiscal impact the cost of building the roads, the firehouses, the schools and all the pieces that come with that? In northern Nevada we put a lot of time and energy into the ethics study which can try to look at that globally, but it did not necessarily narrow it down to one incentives impact. I would like to chat about how we take that down to the project level.

We will open the hearing on S.B. 352.

**SENATE BILL 352**: Revises provisions governing the taxation of property rebuilt after a natural disaster. (BDR 32-929)

SENATOR BEN KIECKHEFER (Senatorial District No. 16):

I am joined by Assemblywoman Lisa Krasner who will provide some comments upon my conclusion. I am working off an amendment ([Exhibit E](#)) prepared by the Legislative Counsel Bureau (LCB), Proposed Amendment 3268. The amendment is consistent with the intent of the bill as it was originally presented. Hopefully, it addresses some of the concerns that may have otherwise arisen.

Senate Bill 352 is designed to help homeowners hit by a natural disaster, such as floods, fires, earthquakes, mudslides or the occasional volcanic eruption. This has become a very real problem in my district.

In 2012, the Washoe Drive fire destroyed 29 homes in my district, mostly down in Pleasant Valley. In Senator Gansert's district, there were homes destroyed by the Caughlin Fire. Most recently, and the impetus for this bill, has been the wildfire that destroyed more than 20 homes in my district in Washoe Valley as we were here in Special Session dealing with an economic development issue. In Lemmon Valley, there are homes under water that are inevitably going to have to be replaced.

In our property tax system and assessment laws, taxes are based on the value of the land and the depreciated replacement cost of the improvements. If more than 10 percent of a structure is rebuilt or replaced, the depreciation is adjusted to reflect the value of the new improvement. This recalculation makes sense if a homeowner is voluntarily upgrading or replacing part of his or her home, but it results in a cruel catch-22 for a homeowner whose house is damaged or destroyed as the result of a natural disaster or emergency.

Section 1 is a legislative declaration which will be important as we get to my concluding remarks.

Section 2 as amended in Proposed Amendment 3268, outlines the meat of the bill. It is designed to allow a property owner and a homeowner who has a single-family residence destroyed in a natural disaster or an emergency which is declared by the Governor under *Nevada Revised Statutes* (NRS) 414.070 to apply to the County Assessor for an exemption from the property taxes to keep them at the old property tax rate. The bill as originally drafted was an abatement. We have changed that in the amendment to make it more consistent with existing exemption laws. It should make it easier for homeowners and assessors to manage.

Other requirements in the amendment are under section 2, subsection 2, paragraph (a), which outlines that it must be a single-family residence occupied by the primary owner. The single-family residence must have been destroyed or damaged in a declared emergency or disaster on or after July 1 and that damage must be a direct result of the declared disaster. The property must be on the same parcel of real property as the property that was destroyed. In

section 2, subsection 2, paragraph (c) of the amendment, the single-family residence must not have been sold or transferred in any transaction that required the payment of Real Property Transfer Tax under NRS 375.

There are certain exemptions that are worth noting. Of that Real Property Transfer Tax (RPTT), law and statute in NRS 375.090 states if a property is transferred by an inheritance for example, it would be exempt. There is a list of exemptions from RPTT that would be applicable to that section.

In the proposed amendment, section 2, subsection 2, paragraph (d), a building permit for that home must have been pulled within 3 years of the destruction of the residence. Section 2, subsection 2, paragraph (e) states the rebuilt home must be not exceed 110 percent of the original floor plan of the home. We are trying to avoid an incentive to significantly upgrade or create a significantly different size of property and then be able to capture a less significant property assessment for the purposes of taxation.

Section 2, subsections 3 through 5 outline the processes the assessor in each County would use to provide an exemption for the homeowner's property taxes based on the procedures outlined.

Section 3.5, subsection 4 on page 3 of the amendment is important by adding by reference "and section 2 of this act" as it is designed to tie the exemption to a one-time application by the property owner. Once the property owner applies and is given an exemption, the owner will maintain that exemption until the property is transferred through the process of a RPTT base transaction. It is designed to help people who have suffered harm directly related to a natural disaster, but it would not then carry forward to a new owner once that property is transferred.

A last provision, if a new residence is built that has a lower assessed value, that rebuilt residence is then able to capture the lower assessed value as well.

CHAIR RATTI:

The rebuilt residence is or is not able?

SENATOR KIECKHEFER:

The new owners are able to capture the lower assessed value. If they have a very large home and have decided they are now empty nesting and want to



build a smaller home on the same lot, they will have the actual assessed value if it is lesser than the amount of the original property.

There may be some consideration as to why the exception to the valuation is limited to single-family residences and does not include commercial properties. The Nevada Constitution, like most state constitutions, requires a uniform and equal rate of assessment and taxation, and the only exception to this general rule is to prevent severe economic hardship to owner-occupied, single-family residences. This exemption was included in the Nevada Constitution by the Nevada voters in 2002. Section 1 of the bill, which is the legislative declaration, sets forth the findings in support of using that constitutional exception as the basis for the bill.

In closing, I urge your support of this measure to help the hundreds of Nevada homeowners who have lost homes to floods, fires and other disasters in past years and who will face them in the future.

ASSEMBLYWOMAN LISA KRASNER (Assembly District No. 26):

I support S.B. 352 which revises provisions governing the taxation of property rebuilt after a natural disaster or other emergency declared by the Governor, specifically relating to the people whose homes and property were destroyed partially or completely by the Little Valley Fire in Washoe Valley. The area in question is within Assembly District 26. I appreciate Senator Kieckhefer bringing this bill forward to help the people whose homes and property were damaged or destroyed by the fire, and I ask for your support of this bill.

SENATOR KIECKHEFER:

It was not referenced, but the intent, and I was told by LCB that is included in this legislation, that the exemption itself is exclusively to be considered as a "go forward" exemption. There is no ability for someone to come in and apply for a rebate or refund of any taxes that may have been due if the property had been assessed differently years ago. No counties should have to end up cutting a check to any resident or property owner, and it will apply exclusively proactively.

CHAIR RATTI:

There would be no rebate or refund? What would happen if somebody lost their home in a fire that was part of a declared natural disaster 10 years ago and they

have been paying the depreciated 1.5 percent per year, but it has not been fully depreciated like it was prior to the fire?

SENATOR KIECKHEFER:

For example, if a person lost a home ten years ago, he or she would be able to apply to the assessor, and the assessor would look at the assessed value of the property that was lost in the natural disaster. If it had not been fully depreciated, the assessor would add the years of depreciation between the loss and the application and add those years to it. That would reset the property owner's assessed value on a "go forward" basis.

CHAIR RATTI:

What is the difference between an abatement and an exemption in this case?

SENATOR KIECKHEFER:

I do not want to misspeak on this issue, so I will refer to Russell Guindon because he was the person helping to craft it.

RUSSELL GUINDON (Principal Deputy Fiscal Analyst):

The terms exemption, abatement and exclusions and all of these can be used interchangeably by people, but generally when we are referring to the abatement and the partial abatements that are in NRS 361 it is on the tax calculation side. This exemption is being applied to the value side. It is an exemption from the assessed value, then we apply a rate to the value to get taxes. We abate taxes through the partial abatement process. That is the best answer I can give to the members of the Committee.

CHAIR RATTI:

Does it actually reset the valuation? Or is there a calculation every year that has to be done by the assessor?

MR. GUINDON:

There are assessors in the audience who may better answer that question. Under this, what it would do is allow the depreciation that would have been in place had the house not been damaged or destroyed. That would be attached to the new house or improvement that is put on the land.

SENATOR GANSERT:

In the scenario that Senator Ratti gave, if the house was destroyed ten years ago and the owners rebuilt the house, the amendment states you have to pull a permit within three years. Does that apply to that scenario?

SENATOR KIECKHEFER:

Yes. All of the requirements laid out in section 2 must still be met. If the permit was not pulled within 3 years, if the replaced home was larger than 110 percent of the original structure, the owners would not be eligible.

SENATOR GANSERT:

Thank you for bringing this legislation because we have had so many homes destroyed in our districts. It is very important.

CHAIR RATTI:

For clarity, so everybody understands what we are doing, this only pulls in homes that were destroyed as the result of a natural disaster or state of emergency. If you had a single family that had a tragedy of a fire at their house, but it was not part of a natural disaster or state of emergency, it does not apply to them?

SENATOR KIECKHEFER:

That is absolutely correct. *Nevada Revised Statutes* 414.070 gives the Governor statutory authority to declare a disaster or emergency, and the entire nexus for the bill is hinged on that gubernatorial declaration.

SENATOR GANSERT:

In section 2, subsection 2, paragraph (e), it talks about partially or completely destroyed. That could be a little tricky if there has been some damage but not significant damage, and then you are basically resetting.

SENATOR KIECKHEFER:

If more than 10 percent of the property is replaced, then there is a reassessment.

DEBBIE SHELTRA:

One of the pictures I provided ([Exhibit F](#)) is my house that burned in the Little Valley Fire, but it was not a natural disaster. Our house was burned down by the Nevada Division of Forestry (NDF), State Department of Conservation

and Natural Resources. I do not know how that could be called a natural disaster. The Division has been found incompetent and responsible for that mistake by a study that was ordered and is now in place. I want to be sure in the wording of natural disaster that it is broad enough.

I want to know what the ceiling is for the Governor to declare a natural disaster. We lost 23 homes, but what if only 3 had been burned? What does it take to get the Governor to declare a natural disaster? Because of incompetency of a State agency, 38 years of my life, my home, my children's home, all of my possessions and everything in my life and my children's lives burned.

Senator Kieckhefer said it comes under the definition already in the statutes of a natural disaster. The fire in Washoe City was started by someone who threw hot coals out into the wind. Would that be a natural disaster? We were declared a natural disaster, but please make sure it is broad to enough to help others in the future. I would like to thank Senator Kieckhefer for contacting me to see if there was anything he could do to help. I said he could help us rebuild.

The ranchers will be devastated and destroyed if this bill is not passed. I have owned my land since 1972 and built in 1979. Mary Ann Healy's ranch was built in 1910. In the last few years, million-dollar mansions have been built on Franktown Road because it was a desirable area. We should not be taxed at the same rate. The ranchers cannot afford to continue farming. They will not tell you that, but I will. It will wipe out the agricultural base of Washoe Valley if this law is not passed. The ranchers need to be taxed at the rate prior to the fire.

I was asked by another resident, who had to leave, to make sure that natural disaster covers incompetency and human mistakes because that is what burned us down. Could somebody address that?

CHAIR RATTI:

We will address that. In your case, with the facts that you are presenting, the Governor did declare a State of Emergency. Therefore, I am confident that would apply. But we will double-check. I am sure Senator Kieckhefer will confirm and let you know.

MARY ANNE HEALY:

I am a rancher and have lived in Washoe Valley since 1975. Our ranch was one of the ranches the Mormons started in the early 1900s. We grow hay, raise

cattle and horses. Other ranches lost in the fire on Franktown Road include the Cliff Brothers' Ranch, which also dates back to the Mormons. We are losing our livelihood. Our fields were burned to the point we are not going to be able to yield anything near what we did in the past. Not just selling hay for an income, but to feed our own animals. It is not just the fields that we lost. We lost all the equipment needed to run the ranch due to the negligence of NDF. I appreciate this bill.

Someone asked me to state three years is not long enough to obtain a permit to rebuild. The person wanted ten years in the bill, but I think that may be a little overboard.

This bill is a necessity. We have been hit hard. We lost our homes, our livelihoods and everything we wanted to pass on to our children. Four generations of possessions are gone.

Nevada lost a lot of history between the Healy and the Cliff Ranches. All the records for water, everything was lost.

CHERYL BLOMSTROM (Nevada Taxpayers Association):

This bill is a piece of fairness, particularly at a time when families are struggling. To reset their property values to the time before they were destroyed makes a great deal of sense to us and we strongly support the bill.

MICHAEL E. CLARK (Washoe County Assessor):

We support S.B. 352. We have talked about folks and their losses. They are replacing and rebuilding what was there before without any penalties. It is through no fault of their own that the properties were destroyed, whatever the cause. All they are doing is rebuilding that property, replacing it. When they rebuild that property, they will pay sales tax on the construction materials; they will hire contractors, subcontractors; there will be payroll and payroll taxes, lumber, concrete, cabinets, floors, appliances, roofing, landscaping and furniture. That will have a positive effect on the economy. We are asking the State to waive the difference between what it cost new and the depreciation, and what the depreciation was that owners actually had on their properties. It is a fair trade-off for what these folks have had to go through.

SENATOR GANSERT:

For the record, you came up as a Washoe County assessor. I know the Washoe County Commission voted to support this measure. Are you stating you are supporting the bill as representing the Washoe County Commission as well?

MR. CLARK:

I am representing the Washoe County Assessor's Office. I understand that the County was going to testify; because I am testifying, I guess that will suffice.

CHAIR RATTI:

I want to make sure that we do not make what is already an awful situation worse by putting an expectation out there that is not accurate. There was testimony from some of the folks who lost their homes which is obviously very compelling. They do not want their property tax values to go up to some of the million-dollar mansions around them.

I want to be very clear and have you verify what this bill does. It resets merely the depreciation. If your house is older than 50 years, it is fully depreciated and you are receiving a reduction in the value of your house of 1.5 percent every year. What it does not do is speak to the actual value of that home. Should somebody, and it is pretty clear in the bill, choose to build a house that is twice the size, the taxes are going to go up because this bill says you can only be within 110 percent of the size.

My question is, if people were to build a much nicer home, but still within the 110 percent, would they be likely to see owners' taxes go up in an assessment process?

MR. CLARK:

We do an assessment of the value. We are appraising the property. What this will actually do is allow the Treasurer to compute the owners' taxes based on what the existing depreciation was at the time of loss.

I personally had involvement with a property on Franktown Road. If the owners built the exact same footprint, the exact same house that they had before the fire, their existing taxes were about \$3,000 per year. For his same exact house, same quality, same footprint, the new taxes would have been about \$8,000 per year because of lost depreciation.

CHAIR RATTI:

Surely because of depreciation. But what I am trying to get to, and I see Senator Kieckhefer coming to the table, we do our valuation, not the depreciation calculation, based on the market value of land. That will not change. The second piece of that calculation is the replacement costs. If you build a home that has a significantly higher replacement cost than the one that was destroyed, is the taxable value going to go up? That would be my assumption.

SENATOR KIECKHEFER:

The correct language you are looking for is in the Proposed Amendment 3268, section 2, subsection 3. It is related to the assessed value. In section 2, subsection 3, "if the county assessor approves an application submitted pursuant to subsection 1, the amount of the exemption must equal the difference between the assessed value of the single-family residence for which the application was granted," that is the new home, "and the assessed value that the single-family residence would have had if the single-family residence were deemed not to be a new improvement" which would be the old home. It is the difference of the assessed value that must be abated, not just the depreciation being added on.

LISA A. GIANOLI (Washoe County):

For the record, our Board of Commissioners did vote today to support this bill. It is the right thing to do.

DOUGLAS W. SONNEMANN (Douglas County Assessor; Nevada Assessors' Association):

We would like to thank Senator Kieckhefer for working with David Dawley, Assessor, City of Carson City, and our group on addressing some of our concerns.

One concern we have, in section 2, it mentions the change can go back to 1981. A lot of houses have changed over the last 30 years, so that might be problematic to make those calculations, especially if there have been additions or changes throughout the years.

The other concern we have appears to be beyond the scope of the bill. Some of the people have addressed that as well. The concern is not being able to help the victims that were subject to a natural disaster, fire, flood, volcano, that

were not covered by the Governor's declaration. A neighbor down the street from me, during the flood declaration, actually had his house burn down because of a construction defect in his house. Most of the reason his house burned down was his road flooded out and a fire engine got stuck on the way to the fire. It would be nice for us to be able to treat those more equitably, if you will, and give benefit to other people who have had their houses or properties destroyed.

RAY BACON (Nevada Manufacturers Association):

This is speculation on my part, but I think it is a question worth getting on the record and hopefully getting some clarification.

A ranch is theoretically a business. This bill does not apply to commercial properties. I think it should apply to a ranch in this particular operation.

A ranching operation also has personal property tax ranchers pay on their equipment. In this case, it was totally lost. I am not an expert on personal property. Obviously, the personal property is gone. The replacement equipment is going to be taxed at its new value. Somewhere along the line, there should be clarification that for this particular bill, even though it is a ranch and a business, it is not considered a commercial enterprise for purposes of this issue. I do not know if there is anything you can do on the personal property tax on equipment or not. It is just a question I thought somebody ought to raise.

SENATOR KIECKHEFER:

To Mr. Bacon's concern, the sole exemption to the uniform and equal clause of our constitutional restrictions on property taxes related to the individual hardship and that finding has been declared in section 1 of the bill to make conformance with our constitution. I will certainly work with Legal Counsel to try to make it as reasonable but also as constitutional as possible.

CHAIR RATTI:

For clarity, the intent is it may not necessarily be their entire property, it will be the single-family residence that is on that property.

SENATOR KIECKHEFER:

It is the single-family residence on the property.



CHAIR RATTI:

We will close the hearing on S.B. 352 and move on to S.B. 414.

**SENATE BILL 414**: Revises provisions governing the taxation of certain property owned by nonresidents. (BDR 32-935)

SENATOR SCOTT HAMMOND (Senatorial District No. 18):

I am presenting S.B. 414. I will walk the Committee through the lone section of the bill.

Under law, all personal property owned by a person who is not a resident of Nevada is exempt from taxation if the property is located in Nevada for purposes of "a display, exhibition, convention, carnival, fair or circus that is transient in nature."

Recently, the Clark County Assessor has interpreted this exemption to mean every category including displays, exhibits and conventions must be transient in nature for the exemption to apply. Although a simple reading of the exemption reveals otherwise, the Assessor has nevertheless mandated several exhibitors at the World Market Center Las Vegas, a 5.1-million-square-foot trade show facility, to file personal property tax declarations identifying their exhibits for assessment of personal property tax.

Senate Bill 414 makes crystal clear an exemption we believe was already beyond debate. It divides the exemption into two parts. First, personal property located in Nevada for the purposes of a display, exhibition or convention. Second, personal property which is located in Nevada for the purposes of a transient carnival, fair or circus.

Despite the brevity of S.B. 414, its importance cannot be understated. Of every state with which Nevada competes for convention business, Florida and Illinois to name our two closest competitors, none taxes the exhibitors, let alone the exhibition property. Conventions are the life-blood of this State and I can think of very few things which could adversely affect Nevada's economy more quickly than to tax conventions.

What is perplexing is that the exemption protecting the convention industry already exists under Nevada law. However, because the exemption has been interpreted in such a restrictive manner so as to allow taxation of convention

exhibits used in a convention facility housing a single trade show, I bring before you this bill.

Nevada's convention industry must be protected. Senate Bill 414 makes ultraclear an exemption which already exists. Only because of a misapplication of the term "transient in nature" to the entire exemption are we here today.

JONATHAN P. LELEU (International Market Centers):

I am here to support S.B. 414. This bill is extremely technical in nature. It comes with a tremendous amount of history.

The genesis of this bill started in 2012 when I was the General Counsel of the World Market Center Las Vegas. At that time, there were a number of tenants who came to me with personal property tax declarations they had received from Clark County. The tenants asked what to do with them. I referred them to the exemption, which exists in statute. The exhibitors responded to the Assessor by asserting the exemption, and the Assessor did not pursue the tax.

This happened a couple more times until 2015, when the tenants at the World Market Center Las Vegas received a tremendous number of personal property tax declarations. There are more than 1,000 tenants at World Market Center Las Vegas, each of which has hundreds, if not thousands of furniture items they use to display for these conventions and trade shows held there. The tenants came to me and asked what they should do.

I had a meeting with the Clark County Assessor, as well as her staff. We met several times. I was told the exemption does not apply to the World Market Center tenants. This was a surprise because in the past there were no issues. We learned the Assessor felt the exemptions should be interpreted such that the convention must be transient. That was an odd interpretation because as you read the statute, it is very plain that transient in nature modifies the fair or circus at the end of the sentence. If when the Legislature passed that exemption and wanted transient in nature to modify every word in there, it would have been at the beginning of the sentence. It is just plain English.

We had further discussions and had another meeting with the Assessor and the Deputy District Attorney. At that time, the Deputy District Attorney told us they were interpreting the exemption differently still, and that the personal property must be transient in nature. We said that is not what transient in nature

modifies. Transient in nature modifies the event, not the property. If you look at the exemption, the exemption is very clear. In section 1, subsection 1, paragraph (k) states "personal property that is:" being used for a convention, trade show, display, exhibition, carnival or circus that is transient in nature. Transient in nature has nothing to do with the character of the property. That being said, the Assessor and Deputy District Attorney were steadfast in their position.

We took our position to the Department of Taxation. We requested a rule-making session to clarify what we believed was a very clear exemption. The Department of Taxation declined to have a rule-making session at that time.

We are here today to make ultraclear an exemption which was clear on its face. What this exemption does, as Senator Hammond pointed out, takes the existing exemption, divides it in half and makes perfectly clear that the State of Nevada is not going to tax the exhibits of the conventions that come to town. It takes the remainder of the exemption, which already exists, leaves it alone but puts it into another section so it is very clear that carnivals, fairs and circuses that are transient in nature are not going to have their personal property taxed.

To that end, this resolves the issue in a definitive fashion and sends a message to conventions and other states that Nevada takes the lifeblood of its economy seriously. We are not going to tax the exhibits of the conventioners who come to town.

CHAIR RATTI:

When we think of conventions, and honestly when we think of what the vast majority of the income generated in the State of Nevada from the convention business in the south and north, they are here for three days, a week or maybe two weeks at the most. The convention itself is transitory in nature. Explain to me about the business model of the World Market in that it is not transitory.

SENATOR HAMMOND:

The tenants do have property there, but the property does not stay there. If you go back there from one convention or conference to the next, it will be different display property. It is not personal property that stays in the State.

MR. LELEU:

The business model of the World Market Center is different yet the same as a normal convention facility. It is different because the revenue model is based on a lease as opposed to a license. A license gives the licensee the right to use a certain space. A lease gives a party a property right for a certain period of time in a certain space.

What World Market Center did in order to procure the financing to construct the buildings was let out the exhibit spaces within the 5.1 million square feet. The leases were collateralized as part of the financing packaging, which ultimately funded the building.

CHAIR RATTI:

The lessee is the exhibitor and is a person that is a resident of the State because the resident is here year-round?

MR. LELEU:

No. While the tenants do hold leasehold interests in their spaces, the World Market Center is the same as a traditional convention facility in that the convention comes and goes. The tenant has rights to the space, but for 50 weeks out of the year, the World Market Center is dark. For two weeks out of the year, there are biannual conventions.

The exhibitors at the World Market Center Las Vegas are furniture manufacturers. The exhibitors create one or two prototypes of the different items in their lines. The exhibitors bring their items to the World Market Center and retail buyers from entities like RC Willey or Lazy Boy come and fill their inventories for the upcoming year with orders. You or I would go to a furniture store and buy one couch. At the World Market Center, a retail buyer from RC Willey will order 1,500 copies of that couch and take delivery at an off-site location. The convention is one where a retail buyer approaches a manufacturer and looks at a prototype item and buys the inventory for a specified period of time. It is very different from a typical convention facility but also much the same in that it is a convention that goes on there. This is not a retail store, it is not something where the tenants are there all the time. The tenants are there two weeks a year and the rest of the time the place is dark.

CHAIR RATTI:

Is the personal property there all the time?

MR. LELEU:

It depends. Normally it moves in and out fairly quickly. If the tenants were to have the same prototypes over and over again, they are not going to have very much success in the industry. What we saw was the inventory would move in and out after the show. Generally, there would be a sample sale where tenants would open up their showrooms to consignment buyers and those types of entities who would buy the entire showroom for a set price. Then the property would move out. Some tenants keep the property there until the next show and give it another shot. It depends on what the tenant does. The point is, these products are there for convention exhibits. They are no different than at the Consumer Electronics Show (CES) where you have a Pioneer TV that hangs on the wall and a retail buyer approaches Pioneer later on to fill the company's inventory with it. The products do move in and out. Tenants have to do that to ensure that their lines do not go stale.

PETER KRUEGER (Nevada Petroleum Marketers Association; Western Petroleum Marketers Association):

We have put on one of the larger trade shows in Las Vegas every year for the last 35 years. I want clarification. While you are correct, most of the exhibits come and go. On occasion there are a number of those housed in Las Vegas until the next show. The nature of these exhibits does not change and is not sensitive to market trends. I want to be sure there was no attempt without this bill that these kind of items, because they are permanently housed usually at Freeman's or any other exhibitor companies that set these shows up, would be subject to a personal property tax. If they would be taxed, we are in support of this bill.

MR. BACON:

The primary thing they are talking about taxing is manufactured goods. This would be an unintended, unexpected tax that would be suddenly related to convention business, which is basically a wholesale sale. This would be a tax which would make Nevada unique. Some of the items that come in for conventions actually wind up with a home in Nevada, but not in Clark County.

When the mining expo shows up, about every five years, some of those toys are in the neighborhood of over \$5 million and wind up in Elko. The company does not just build a display item. It shops the convention center in route to its home. The item is going to be picked up as personal property and taxed twice, once as it goes through Clark County for a couple of weeks, and then when it

gets to its home. That is probably not the intent of the law. This is a way that fixes that on a permanent basis.

CHAIR RATTI:

Right now those are not being taxed? The way the law is written, your clients are not having any issues with that piece of equipment as it comes through?

MR. BACON:

We do not have any appreciable amount of furniture manufacturing in the State. World Market Center is pretty exclusively furniture. If this were to apply, a broad section could mean you start gathering personal property tax where the ultimate market is going to be delivered in Nevada, from mining equipment or anything that shows up at CES. If you do not clarify this thing, you have opened a door that I do not think our convention business can handle. I think the manufacturing sector would basically decide to stop coming to conventions in Las Vegas.

CHAIR RATTI:

You are not aware of any others having any issues?

MR. BACON:

No.

BRYAN WACHTER (Retail Association of Nevada):

We appreciate this bill. We are unaware of any specific issues other than this goes beyond the World Market Center. We view this more as a clarification in law as opposed to any radical changes.

MS. BLOMSTROM:

In the handout I have provided ([Exhibit G](#)), page 1 shows the *Personal Property Manual: Valuation Guidelines 2018-2019* that the Department of Taxation is working on. There will be a workshop on Thursday to take feedback on this particular manual. If you look at page 2, this is part of the schedule of exemptions. At the bottom, they look at transient personal property, and it is very clear that Taxation considers property like we are talking about transient and exempt.

Additionally, one of the things that occurred to me, with our twice-a-year race at NASCAR, it may capture that as well. Some of the consumables like tires and

similar items might make more sense to warehouse in Nevada if they are going to have two races than bring things back and forth. It might capture that as well since that is part of Clark County.

We support the bill as it is written.

CHAIR RATTI:

I am not seeing how NASCAR is captured in the statute as it is written, as this was only for displays, exhibitions, conventions, carnivals, fairs or circuses.

MS. BLOMSTROM:

It depends on whether you consider the NASCAR function as part of a display. It is a weeklong process of all kinds of things. The race is only one day of what happens in NASCAR week.

CHAIR RATTI:

I am following you. My question is, by leaving the transient in nature attached to it, the fact that those things are there for such a brief period of time protects them.

MS. BLOMSTROM:

I am not sure that it does. It is just something I want to point out.

JUSTIN HARRISON (Las Vegas Metro Chamber of Commerce):

I support S.B. 414. I would like to ditto the remarks my colleagues made. We think these clarifications help the intent of the language we have before us.

RANDY SOLTERO (International Alliance of Theatrical Stage Employees Local 720):

We thank Senator Hammond for bringing this piece of legislation to clarify what is happening. Our perspective is different in that we do not represent people who own displays. We do represent people who put up those displays and work in the convention industry.

Competition for conventions is fierce, from places like Orlando, Chicago, New York, San Francisco. Our concern is if this would continue to grow, there would be a chance conventions would leave for other markets, which would impact workers in this State. We support S.B. 414.

BRIAN MCANALLEN (City of Las Vegas):

We support S.B. 414. I associate myself with a lot of the previous comments that Mr. Soltero just made about the competitive challenges of conventions. It is important for southern Nevada and the State to stay ahead of that game. We are competing against Chicago, Orlando, Texas and major cities throughout the U.S. that are trying to grow their convention space and take conventions away from us.

As the home of World Market Center in downtown Las Vegas, we are very supportive of making sure this issue is clarified. That is a major convention and trade show that brings in a number of visitors during the two weeks they are here.

We appreciate the sponsor bringing this bill forward.

FRAN ALMARAZ (Teamsters Local 14, Local 631, Local 986):

I represent the approximately 3,000 teamsters who install, set up and tear down these conventions in Las Vegas. It is a huge industry for Las Vegas. Some of these exhibitors are very small companies who come and set up, and some are huge like CES, which has been mentioned.

The conventions in Las Vegas are not only at the convention center, they are at all the major hotels that have convention space. The people who come to these conventions stay in the hotels, gamble, eat, and provide a lot of revenue for Las Vegas.

We are in support of this bill.

LAURA SIMS (Teamsters Local 631):

I am a teamster convention representative. As Ms. Almaraz stated, we have 3,000 members who make their livelihood in conventions. People have brought up CES. In 2017, CES had over 177,000 attendees alone who were in hotel rooms, ate, went to shows. The impact will not just be the workers. I agree with Mr. Soltero, the workers have made Las Vegas the convention destination that it is. Workers will be highly impacted if these conventions leave. Exhibitors will be taxed in their hotel room. If we additionally tax them on their displays or exhibits, they will find other places to go. We hope that will not happen. That is why the teamsters of Las Vegas are in support of this bill.



DOUG SCOTT (Assistant Director, Clark County Assessor's Office):

We have written opinions from the Clark County District Attorney's Office, the Attorney General's Office and the Department of Taxation stating we have been interpreting the statute correctly as it applies to the World Market Center, and the convention industry in general.

As we are aware, the statute exempts personal property if it meets all three parts of the three-prong test: One, the property must be owned by a nonresident of Nevada; two, the property must be located solely in Nevada for purposes of a display, exhibition, convention, carnival, fair or circus; three, the property must be transient in nature. The problem is that World Market tenants do not meet the third part of the test. That is why they are proposing a significant change to the law.

The bill extends favorable tax treatment geared specifically towards the trade show industry, but it creates an inequity with other types of personal property stored or used in Nevada subject to tax. The owner of the property gets the tax exemption, yet reaps the benefit from the local community, which includes police and fire protection and traffic control for the events that the owners hold.

Another concern exists with the terms display and exhibitions. It is now wide open to interpretation on a much larger scale now that property permanently based in Nevada could qualify. Would this extend to displays and exhibitions in museums, casinos, retail stores? This bill could present some confusion over how it should be administered and lead to many tax appeals and unintended tax consequences.

This opens up a broad exemption which would only benefit nonresident owners pursuant to the first part of that test in section 1, subsection 1, paragraph (k), subparagraph (1). Nevada residents would pay taxes while nonresidents would not for the exact same property owned and used for the same purpose. This appears to be in conflict with the Nevada Constitution which calls for an equal and uniform assessment in taxation. If this law were passed, businesses might be inclined to leave the State or base a residency elsewhere in order to qualify for the tax exemption.

The Clark County Assessor's Office opposes this bill on the basis it tarnishes the spirit of fair and equitable taxpayer treatment. At the same time it appears to offer no apparent economic benefit to the State.

SENATOR KIECKHEFER:

You seem to have added an Oxford comma where there is none in the statute, indicating it is a three-tier test. This may be what your legal counsel tells you, but in NRS 361.068, subsection 1, paragraph (k), there are only two prongs. In subparagraph (2) after circus you indicate a comma, making it a three-prong test. That is not what the statute actually reads. I want to be clear that the legal interpretation you have received from your counsel has "is transient in nature" as actually a third-defining characteristic that is necessary in order to make the personal property tax exempt, despite the fact it is not outlined as subparagraph (3) under paragraph (k)?

MR. SCOTT:

Yes, it is our interpretation that the statute for property used for purposes of a display, exhibition, convention, carnival, fair or circus must also meet the test of being transient in nature in order to be considered exempt. We believe it is quite clear.

SENATOR KIECKHEFER:

Clarity is often in the eye of the beholder.

CHAIR RATTI:

You said this bill was intended to target the trade show industry and if it was broadened it might create an inequity. Can you give me an example of another industry where their personal property is stored that is being taxed? Paint that picture a bit more clearly for me.

MR. SCOTT:

To the best of my knowledge, there is no statute that exempts any other types of personal property that is held in storage. The only exception would be if it were household goods or belongings. There is a statute that addresses personal property that is in transit, therefore is entitled to a free-port exemption. Otherwise, all personal property held in storage would be considered to be taxable. The sponsor of this bill is asking that this personal property should be exempt. That creates an inequity.

CHAIR RATTI:

To take that a little farther, if there was testimony from some of the folks who are here to testify in support that said they have other conventions that come through town, and because they are here so regularly they have their exhibit

equipment stored with an exhibit company. It is staying here year-round. Would it be your position that personal property should now be taxed?

MR. SCOTT:

It would be our position that the personal property that is stored year-round for the purposes of being utilized as displays in a convention would be taxable as long it is stored here in Nevada under the statute.

CHAIR RATTI:

It would be taxable?

MR. SCOTT:

Yes, that is correct.

SENATOR GANSERT:

I am thinking about the definition of display or exhibition. Convention is pretty readily definable, but what would be the Assessor's definition of display?

MR. SCOTT:

The statute limits displays that are only transient in nature to be exempt. What we would consider that to be is something coming in for some type of an exhibit or convention and only being in place temporarily for a show or trade show.

If you remove that test for transient in nature, you have a display that is wide open to interpretation. Unless there were some definition that were introduced for a display, that could lead to some confusion as to what exactly a display is. Is that a display in a retail store? Is the Titanic exhibition at a casino considered a display, and museums exhibits and so forth?

SENATOR PARKS:

Do you apply this to other trade shows or exhibits that are conducted at various hotels and convention facilities in Clark County?

MR. SCOTT:

Yes, Senator Parks. This has never come up until the World Market issue. In the past, to give you a legislative background on this, the whole intent was to provide an exemption for out-of-town convention exhibitors coming here.

Typically, what they would do for conventions like Computer Dealers' Exhibition or CES, they would bring in their exhibits from out of town, put them up for the show and they would take everything with them when they would leave. It was never our intention to tax those types of displays.

What is different about World Market Center is they store them year-round, therefore it does not meet the test of transient in nature.

Did that answer your question?

SENATOR PARKS:

Yes, it does.

LISA LOGSDON (District Attorney's Office, Clark County):

I am speaking in opposition to this bill. This bill seeks a tax exemption for personal property owned by a nonresident located in this State for the sole purpose of display, exhibition or convention. This bill removes the transient in nature requirement from the tax exemption for personal property.

This creates two legal problems. First, it results in unequal treatment for nonresidents versus residents. By removing the transient in nature requirement from taxation, displays in conventions by nonresidents or owned by nonresidents would be able to leave their property here and not be taxed. If you are a resident that owned that display, you would be taxed. This is a clear example of why the transient in nature requirement was added to the bill for the tax exemption.

Second, by removing the transient in nature language, it appears to conflict with the Nevada Constitution, Article 10, section 1, subsection 4 which allows personal property that is transient in nature to be exempt from taxation. This was the constitutional basis for the exemption in 2001. The constitution does not extend to an exemption for property remaining in the State year-round.

If personal property located in this State solely for the purpose of a trade show or convention remains in Nevada after the trade show or convention, it could be construed that the property is no longer located in the State solely for the purpose of the convention or trade show, but located in the State for the purpose of the storage. This could create it to be taxable.

As you can see, this creates a lot of confusion for the taxpayers and Assessor's Office in making sure the taxation of personal property in the State is fair and equitable.

Mr. Leleu alluded he had requested the Department of Taxation to open a regulation regarding this, and the Department of Taxation declined to do so. In the Department of Taxation's letter to Mr. Leleu, it alluded to the fact that the Attorney General agreed with Clark County's interpretation of the statute that such treatment of this would otherwise allow nonresidents to enjoy a favorable tax status under the law. It also alluded to the fact that once the property stays here in Nevada, it is more for storage than it is for the purposes of a convention or trade show.

CHAIR RATTI:

I have a concern Senator Gansert started to allude to. If you shift that comma, and again all of the testimony we heard today that was compelling, was about protecting the trade show and convention industry in our State. It is obviously a significant economic driver for our State. If you change where the transient in nature is connected to, there is not much of a definition for a display or exhibition. My concern is by clarifying something very specifically for the trade show industry, we open up vague language for all other exhibits and displays.

I am interested if you have a comment on that, and then if you would be willing to work with perhaps another draft that could really pinpoint this legislation as intended to be about trade shows, conventions, and circuses, fairs and carnivals. It seems to me it is the displays and exhibitions that happen at those things that we are trying to get to.

SENATOR HAMMOND:

This is the draft that came back from LCB on Monday. This is a little different from what we asked to do, but they have a lot of things they have to consider as they draft legislation. Certainly, if there is something we might need to move around, we will work on that. I have listened to the testimony and certainly will work with the Committee.

MR. LELEU:

I never say no. We are always willing to work with whoever has issues with language that we may propose. Just as we expect those who are proposing language that we have issues with to sit down and work with us. To that end,

we have requested multiple times substitute language and suggestions. What we want to do with this is get it right. It is of paramount importance that we get it right. Do not think for one moment we are blind to the fact that we are coming out of a huge recession. Our municipalities are still searching for revenue. We certainly do not want to deprive them of the opportunity to obtain revenue where they are authorized to do so.

What we want to do are two things. Number 1, we want to ensure that our trade show and convention industry is protected 1,000 percent. I do not think there is anyone who would disagree.

Number 2, is ensure that there are no unintended consequences. However, what we have not heard is what those unintended consequences might be. We have heard that there may be a store that has an inventory that may be subject to the exemption that would normally be taxed. That is not the case. In this exemption and the grouping of exemptions you look at in section 1, subsection 1, subparagraphs (a) and (b), inventories are exempt. Merchandise that is held for sale is exempt. Merchandise that is being manufactured is exempt. We are absolutely happy to sit down to make sure that we can wordsmith out any unintended consequences. We have not heard any yet. To the extent that we do not hear any, we are forced to move forward with the bill.

CHAIR RATTI:

I will comment that seems like a lot of the testimony was focused on past legal battles, past decisions that were made. I am not interested in that. I am interested in getting it right moving forward. I am telling you that I have a concern that it is too expansive on display and exhibition. My staff shared that concern when we met. I would like to go back to the drawing board to make sure we do get it right moving forward; to make sure we are not sweeping in all kinds of different displays and exhibitions that have nothing to do with trade shows and conventions; that we are protecting the industry we are want to protect but not risking revenue for local government.

We will close the hearing on S.B. 414 and move on to S.B. 419.

**SENATE BILL 419**: Exempts and proposes to exempt sales of certain durable medical equipment, oxygen delivery equipment and mobility enhancing equipment from sales and use taxes and analogous taxes. (BDR 32-325)

SENATOR JOSEPH P. HARDY (Senatorial District No. 12):

Senate Bill 419 is doing something by voice of the people that has been a work in progress for a long time.

The 2016 State Question No. 4 stated:

Shall article 10 of the Nevada Constitution be amended to require the Legislature to provide by law for the exemption of durable medical equipment, oxygen delivery equipment, and mobility enhancing equipment prescribed for use by a licensed health care provider from any tax upon the sale, storage, use, or consumption of tangible personal property?

That vote was 71.8 percent in favor of exempting those kinds of equipment for people who need mobility, oxygen and the kinds of things that are associated with that. With 71.8 percent in favor and 28.2 percent opposed, what this bill would do would wait for the general election in 2018. Then, with the anticipated equally enthusiastic vote of the people to allow people not to have to pay sales tax because of their infirmities, they would again say yes, that is what is wanted. That would make it valid for the Constitution.

This bill creates the ability for when people vote for this again, the tax exemption would be valid upon December 1, 2018. Instead of waiting for the constitutional amendment to be drafted, on December 1, 2018, after the second vote of the people and before all of the required regulations are made, the people who need the equipment can purchase it without sales tax and thus save money. We recognize their infirmities as real.

You need to look at the proposed amendment ([Exhibit H](#)) instead of the bill draft itself. Proposed Amendment 3261 deletes sections 1, 2, 3, 4, 5, 6, 7, 8 and 9. We added sections 9.1, 9.5, 9.7 and 9.9. We deleted and replaced the language in section 10 with new language in green. We deleted and replaced the language in section 11 with new language. We deleted section 12 and changed section 13 to include the December 1, 2018, date.

JOSHUA J. HICKS (Bennett Medical Services; Alliance to Stop Taxes on the Sick and Dying):

What this does is set up the process to get ahead of the game for when the proposal presumably passes again in November 2018 because it had such

success in 2016. We are trying to fill in the details. The constitutional question that is before the voters is whether these kinds of items should be exempt; however the definitions of the items is not laid out in the constitutional language. This bill is trying to get in front of that, put those together and make it effective as quickly as possible after the election.

What you see in the amendment are the first nine sections being struck out. Those created a ballot question, which is unnecessary because the proposal is already going on the ballot in 2018. Section 9.1 and 9.3 define durable medical equipment, mobility enhancement equipment and oxygen delivery equipment. Those carry through because they are in NRS 360B. They carry through all the sales and use tax chapters.

The definition of durable medical equipment that is used here is taken from existing regulation. The definition of mobility enhancing equipment is also taken from existing regulation. The oxygen delivery equipment definition is not an existing regulation, but we took that as best we could from Streamlined Sales and Use Tax language and added it and tried to mirror some of the other definitions.

I will also point out that under existing Tax Commission decisions, these items we have called oxygen delivery equipment are actually considered durable medical equipment, so there is a bit of redundancy. Because the constitutional question references everything, durable medical equipment, mobility enhancing equipment and oxygen delivery equipment, we want to make sure we defined all of them appropriately.

When you go to sections 10 and 11, those actually provide the exemption for those types of devices in NRS 372 and NRS 374.

The final piece that is important is section 13, stating the effective date is only upon passage of that ballot question in November 2018. If that question fails, nothing happens with this bill. If it passes, this becomes codified and becomes effective as of December 1, 2018. The election is November 6, 2018, but the time periods for tax reporting fall on a monthly basis, so we moved this provision to December 1, 2018. I had a conversation with Tax Director Deonne Contine, and she said she authorized me to say she was comfortable with that December 1, 2018 implementation date. I want to make sure to mention that as well.



SENATOR KIECKHEFER:

We have a proposed amendment from you as well. Is that consistent with the proposed amendment?

MR. HICKS:

You should actually ignore the one that came from me. That was done before we worked through some issues with Streamlined Sales and Use Tax compliance. We used that as the springboard to come up with the Proposed Amendment 3261. That is the amendment we would ask you to consider for this bill.

SENATOR KIECKHEFER:

What was the name of your PAC?

MR. HICKS:

The Alliance to Stop Taxes on the Sick and Dying PAC.

DOUG BENNETT (Chairman, Bennett Medical Services; Officer, Alliance to Stop Taxes on the Sick and Dying)

I own Bennett Medical Services, which is a home medical equipment company that operates throughout the State. My background is as a registered respiratory therapist, my last position being Director of Respiratory Care at Renown Regional Medical Center. Since then, I have spent many years in the home medical equipment business.

This does give us a jumpstart on the second vote, which in all likelihood is going to pass the constitutional amendment process in November 2018.

I am familiar with the patients this affects. I would say 60 percent to 70 percent of these patients cannot work. They are so sick or injured that they do not have jobs. Because of that, they have little or no income. I have been in hundreds of homes where we set up equipment on home medical equipment patients, and these patients are definitely at risk. It is a very good thing they would not be taxed on their home medical equipment.

MR. WACHTER:

The policy discussion before you is incidental to perhaps an issue you are going to hear on your agenda on Thursday. Perhaps it is time, as opposed to having multiple exemptions made to the Sales and Use Tax Act of 1955, the

Legislature might consider putting a question before the voters to completely remove the Sales and Use Tax Act of 1955 from the Nevada Constitution and better place that power, control and policy discussion back with the Legislature. Every time we want to make changes to that particular law, we have to go in front of the voters. It has been particularly difficult with Streamlined Sales Tax and with Internet sales and use taxes.

On Thursday, you are going to hear a tax exemption for certain products under the Sales and Use Tax Act. It might be a general policy discussion to go ahead and give the Legislature back the full power of the Sales and Use Tax Act as opposed to having a constitutional question at every election.

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Chair Ratti:

We will close the hearing on S.B. 419. Seeing no other public comment, we will adjourn the meeting at 6:25 p.m.

RESPECTFULLY SUBMITTED:

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Lex Thompson,  
Committee Secretary

APPROVED BY:

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Senator Julia Ratti, Chair

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

<b>EXHIBIT SUMMARY</b>				
<b>Bill</b>	<b>Exhibit / # of pages</b>		<b>Witness / Entity</b>	<b>Description</b>
	A	2		Agenda
	B	8		Attendance Roster
S.B. 343	C	2	Senator Julia Ratti	Written Testimony from Jan Jones Blackhurst, Caesars Entertainment
S.B. 343	D	1	Senator Julia Ratti	Written Testimony from Aviva Gordon and Amber Stidham, Henderson Chamber of Commerce
S.B. 352	E	3	Senator Ben Kieckhefer	Proposed Amendment 3268
S.B. 352	F	2	Debbie Sheltra	Pictures
S.B. 414	G	2	Cheryl Blomstrom / Nevada Taxpayers Association	Written Testimony
S.B. 419	H	5	Senator Joseph P. Hardy	Proposed Amendment 3261