

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

**Eightieth Session  
May 14, 2019**

The Committee on Taxation was called to order by Chair Dina Neal at 4:39 p.m. on Tuesday, May 14, 2019, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/App/NELIS/REL/80th2019](http://www.leg.state.nv.us/App/NELIS/REL/80th2019).

**COMMITTEE MEMBERS PRESENT:**

Assemblywoman Dina Neal, Chair  
Assemblywoman Ellen B. Spiegel, Vice Chair  
Assemblywoman Shea Backus  
Assemblywoman Teresa Benitez-Thompson  
Assemblywoman Lesley E. Cohen  
Assemblyman Chris Edwards  
Assemblyman Edgar Flores  
Assemblyman Gregory T. Hafen II  
Assemblyman Al Kramer  
Assemblywoman Susie Martinez  
Assemblywoman Heidi Swank

**COMMITTEE MEMBERS ABSENT:**

None

**GUEST LEGISLATORS PRESENT:**

Senator James A. Settelmeyer, Senate District No. 17

**STAFF MEMBERS PRESENT:**

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

Minutes ID: 1214



**OTHERS PRESENT:**

Pete Olsen, Chair, Board of Commissioners, Churchill County

**Chair Neal:**

[Roll was taken and Committee rules and protocol were reviewed.] We are going to hear Senate Bill 341 and then do the work session. I will open the hearing for S.B. 341. Senator Settelmeyer, please come to the table.

**Senate Bill 341: Revises provisions relating to enterprise funds created by local governments for the purpose of providing telecommunication services. (BDR 31-1009)**

**Senator James A. Settelmeyer, Senate District No. 17:**

Senate Bill 341 is before you. It is unique. We are talking about a telecommunications company owned by a municipality. In that respect, this is it—in the entire United States—this is it. This thing has a long and very interesting history. My understanding is, way back when—prior to cell phones, prior to telephones—there was a telegraph line that was servicing Churchill County. Western Union decided they wanted to get out of the business, so they tried to sell it. Nobody wanted it. The community decided they wanted it—they still wanted to have communications. In that respect, Churchill County stepped forward on August 5, 1889, and purchased it from Western Union for the grand old price of \$975. Fast-forward a couple years to 1896. They decided that the telegraph was a dying thing, so they converted to a telephone company, and that is what brings us before you.

They purchased this in 1889, and in that time frame they offered it as an enterprise fund. Their rates are set by federal law. They cannot go below a certain rate to offer telephone service because federal law dictates they must charge a minimum number. They are at that minimum number, but they are making money. They want to do what they have always done, which is transfer that money to the general fund to offset expenses of the county. That is something they had done for quite some time. This bill seeks to allow them to do that.

In that respect, in 2011 the Legislature enacted Assembly Bill 471 of the 76th Session to limit loans or transfers of money from an enterprise fund with limited exceptions. In 2014, Churchill County requested an opinion from the Department of Taxation on whether these transfers violated prohibitions of the 2011 Legislature when they transfer their money. It was determined that transfers do violate that law. The grace period allowing them to continue those types of transfers terminates in 2020. Until then they can make these transfers. At that point they will be left with a situation where they have money in an account they cannot access, they cannot lower the rates to the citizens, because again, those rates are set by federal law. So rather than try to find other taxes to raise on their constituents, they are seeking to continue to use the funds that are available to them at this present point in time. I am glad to take questions at this time.

**Assemblyman Kramer:**

My understanding is at one time the Churchill County phone system had cell service and they have since sold that off. Is there an Internet portion to that, or is it just strictly landline phones?

**Senator Settelmeyer:**

There are a multitude of different entities. They provide very high-speed broadband—some of the best broadband in the nation is provided by them—because they want to do what is right for their community. They have paid to string up broadbands where a normal corporation would not think it made sense, but they made the decision to provide high-speed Internet to those areas. So yes, they currently do have high-speed Internet, built many years ago. We allowed them to sell off the aspect of the cell phone, and I believe they did. They decided they did not want to go down that road, but they are here today and can come forward to save me if my answers are incorrect.

**Assemblywoman Benitez-Thompson:**

*Nevada Revised Statutes* (NRS) Chapter 710 talks about local governments owning and managing a system, and also talks about the sale or lease of a system. I do not know if the system is leased or not, but it sounds as though the county commissioners are hands-on with it. If it were to be leased, would the intent still be that if there was an overperformance of the fund, those dollars would come back into the county's general fund?

**Senator Settelmeyer:**

I believe that would make the most sense.

**Chair Neal:**

Members, do you have any additional questions? [There were none.] I will open the hearing to those in support of S.B. 341.

**Pete Olsen, Chair, Board of Commissioners, Churchill County:**

Senator Settelmeyer did a very nice job of giving most of my talking points I have for you this evening. We are a long-term company. He was accurate about our cell phone company. We took the money from selling the cell phone business and literally plowed that back into the ground. We have high-speed Internet fiber in front of 85 percent of our residents right now, going toward 95 percent of the residents in our community, and I am sure we have the best broadband experience of any rural community in the nation—I am convinced of that. I would put us up against anybody. It is a well-run company. It has been a great service—a legacy asset of the community. It has paid money back into the coffers of the county and has given us the ability to do some things. We would appreciate continuing to have that ability. I would entertain any questions at this time.

**Chair Neal:**

Members, do you have any questions? [There were none.] Is there anyone else here in support of S.B. 341? [There was no one.] Is there anyone here in opposition to S.B. 341? [There was no one.] Is there anyone here neutral on S.B. 341? [There was no one.] Senator Settlemeyer, do you have any closing remarks?

**Senator Settlemeyer:**

Thank you for your time and consideration.

**Chair Neal:**

I will close the hearing on S.B. 341 and open the work session on Senate Bill 48 (1st Reprint).

**Senate Bill 48 (1st Reprint): Authorizes certain local governments to increase diesel taxes under certain circumstances. (BDR 32-481)**

**Michael Nakamoto, Deputy Fiscal Analyst:**

The first bill on today's work session is Senate Bill 48 (1st Reprint), which was sponsored by the Senate Committee on Revenue and Economic Development on behalf of the Nevada Association of Counties, and was heard in this Committee on May 7, 2019 ([Exhibit C](#)).

Senate Bill 48 (1st Reprint) authorizes the board of county commissioners in all counties except Clark and Washoe to impose a tax of up to 5 cents per gallon on diesel fuel. The bill specifies that any ordinance imposing the diesel fuel tax must be adopted by a two-thirds majority vote of the board of county commissioners or by a majority of the voters at a general election. The bill additionally provides that the ordinance imposing the tax must not become effective earlier than January 1, 2020.

Senate Bill 48 (1st Reprint) also establishes provisions for implementing the International Fuel Tax Agreement (IFTA) refund provisions within rural counties that impose the diesel fuel tax and that sell more than 10 million gallons of diesel fuel per year. Finally, under certain circumstances, S.B. 48 (R1) provides for a portion of the diesel fuel taxes collected in a county imposing the tax to be distributed to the Department of Transportation for the construction, maintenance, and repair of highway truck parking in that county based on a percentage of the gross diesel fuel tax revenue collected and the amount of IFTA refunds issued in each county.

There are no amendments to the bill. I would be glad to answer any questions.

**Chair Neal:**

Members, are there any questions on the work session document? [There were none.] I will entertain a motion to do pass S.B. 48 (R1).

ASSEMBLYMAN EDWARDS MOVED TO DO PASS SENATE BILL 48  
(1ST REPRINT).

ASSEMBLYWOMAN SPIEGEL SECONDED THE MOTION.

Is there any discussion on the motion?

**Assemblyman Kramer:**

I will be a yes in Committee but would like to reserve my right to change my vote on the floor.

**Assemblywoman Benitez-Thompson:**

What was the percentage of the tax that is the set-aside specifically for the construction, maintenance, and repair of highway truck parking?

**Michael Nakamoto:**

The maximum amount of the refund is 20 percent—the amount that would go towards the truck parking. The actual amount would depend on the refunds that would be requested through the refund provisions in the bill.

**Chair Neal:**

Are there any additional comments? [There were none.]

THE MOTION PASSED. (ASSEMBLYMAN HAFEN VOTED NO.)

I will assign the floor statement to Assemblyman Edwards. I will close the work session on S.B. 48 (R1) and open the work session on Senate Bill 81 (1st Reprint).

**Senate Bill 81 (1st Reprint): Revises various provisions relating to tobacco products.  
(BDR 32-190)**

**Michael Nakamoto, Deputy Fiscal Analyst:**

Senate Bill 81 (1st Reprint) was heard in this Committee on May 7, 2019, and was sponsored by the Senate Committee on Revenue and Economic Development on behalf of the Nevada Department of Taxation ([Exhibit D](#)).

Senate Bill 81 (1st Reprint) repeals separate licensing provisions related to cigarettes and other tobacco products in current law and establishes uniform provisions for the licensing, administration, and reporting requirements for persons engaged in the manufacture, distribution, and sale of cigarettes and other tobacco products. The bill:

- Establishes new licenses for logistics companies and warehouse or distribution centers, and specifies the activities that each type of licensee may engage in;

- Establishes procedures for a person to claim a refund which are substantially similar to the provisions of existing law governing overpayments and refunds of sales and use taxes provided in *Nevada Revised Statutes* (NRS) Chapter 372;
- Establishes the value of inventory that must be maintained by wholesale dealers;
- Specifies certain reporting requirements regarding the activities of wholesale dealers and provides certain penalties for the failure to pay the cigarette or other tobacco products tax;
- Establishes certain factors that may be considered by the Department of Taxation in determining the penalty to be imposed on a licensee for certain violations; and
- Revises provisions related to when the 30 percent excise tax on other tobacco products must be paid; depending on whether the taxpayer is a manufacturer, wholesale dealer, or retail dealer, and whether the taxpayer maintains a place of business in this state.

There is one amendment that was submitted at the hearing that is attached to the work session document [page 3, ([Exhibit D](#))]. The amendment was submitted by Mr. Reaser on behalf of McLane Company, Inc. It would amend section 32 of the bill to provide a civil penalty for violations where the report or certification is incomplete or inaccurate because of an inventory discrepancy of 0.75 percent or less of sales during a reporting period. The civil penalty proposed in the amendment is equal to the amount of the cigarette tax that would be due on the number of cigarettes recorded in that inventory variance.

If there are any questions about the amendment in the work session document, I would be glad to answer them.

**Chair Neal:**

Members, are there any questions on the work session document? [There were none.] I will entertain a motion to do pass S.B. 81 (R1). The motion will not include the amendment attached to the work session document. We had a long hearing on this. We are going to go ahead and trust the Department of Taxation. We looked at a lot of the provisions in the bill—around "negligently," "knowingly," and the "mays." We feel the policy is flexible enough that individuals can have some leeway there.

ASSEMBLYWOMAN BENITEZ-THOMPSON MOVED TO DO PASS  
SENATE BILL 81 (1ST REPRINT).

ASSEMBLYWOMAN SPIEGEL SECONDED THE MOTION.

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

THE MOTION PASSED. (ASSEMBLYMEN EDWARDS, HAFEN, AND  
KRAMER VOTED NO.)

I will assign the floor statement to Assemblywoman Backus. I will close the work session on S.B. 81 (R1) and open the work session on Senate Bill 465 (1st Reprint).

**Senate Bill 465 (1st Reprint):** Revises provisions relating to redevelopment areas.  
(BDR 22-1159)

**Michael Nakamoto, Deputy Fiscal Analyst:**

The last bill on today's work session is Senate Bill 465 (1st Reprint). This bill was sponsored by the Senate Committee on Government Affairs and was heard in this Committee on May 9, 2019 ([Exhibit E](#)).

Senate Bill 465 (1st Reprint) authorizes a redevelopment agency to adopt a resolution requiring that property taxes attributable to certain tax rates levied for the public schools in the county be allocated to the county school district, such that the redevelopment agency would not receive any portion of the property taxes attributable to such tax rates.

There was brief testimony on it and no amendments. It was pretty straightforward. I am glad to answer any questions.

**Chair Neal:**

Members, do you have any questions on the work session document? [There were none.] I will entertain a motion to do pass S.B. 465 (R1).

ASSEMBLYWOMAN BENITEZ-THOMPSON MOVED TO DO PASS  
SENATE BILL 465 (1ST REPRINT).

ASSEMBLYWOMAN SPIEGEL SECONDED THE MOTION.

Is there any discussion on the motion?

**Assemblyman Hafen:**

I have concerns with how this is going to interact with whatever the new formula of funding for schools is going to be, so I would like to reserve my right to change my vote on the floor.

**Chair Neal:**

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

THE MOTION PASSED. (ASSEMBLYMAN EDWARDS VOTED NO.)

I will assign the floor statement to Assemblywoman Martinez. I will close the work session on S.B. 465 (R1). This completes our work session. We will have a big work session on Thursday, May 16, 2019. I will open the hearing for public comment. [There was none.] We are adjourned [at 4:59 p.m.].

RESPECTFULLY SUBMITTED:

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Gina Hall  
Committee Secretary

APPROVED BY:

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Assemblywoman Dina Neal, Chair

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



## EXHIBITS

[Exhibit A](#) is the Agenda.

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

[Exhibit C](#) is the Work Session Document for Senate Bill 48 (1st Reprint), dated May 14, 2019, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit D](#) is the Work Session Document for Senate Bill 81 (1st Reprint), dated May 14, 2019, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit E](#) is the Work Session Document for Senate Bill 465 (1st Reprint), dated May 14, 2019, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.