

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

**Eightieth Session
May 29, 2019**

The Committee on Taxation was called to order by Chair Dina Neal at 3:36 p.m. on Wednesday, May 29, 2019, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/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:

None

STAFF MEMBERS PRESENT:

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

Minutes ID: 1362



OTHERS PRESENT:

Melanie Young, Executive Director, Department of Taxation
Shellie Hughes, Chief Deputy Executive Director, Department of Taxation
David Dazlich, Director of Government Affairs, Las Vegas Metro Chamber of Commerce
Miranda Hoover, representing Reno Sparks Chamber of Commerce
Michael Pelham, Director of Government and Community Affairs, Nevada Taxpayers Association

Chair Neal:

[Roll was taken and Committee rules and protocol were reviewed.] I will open the hearing on Senate Bill 497 and call the Department of Taxation to the table.

Senate Bill 497: Eliminates certain filing requirements related to the commerce tax. (BDR 32-1198)

Melanie Young, Executive Director, Department of Taxation:

I am here to present Senate Bill 497, which revises the requirements for the commerce tax return filing with the Department of Taxation. This is a proposal that the Department of Taxation put together for an efficiency which reduces costs and is taxpayer- and state-friendly. It revises *Nevada Revised Statutes* (NRS) 363C.200 by eliminating the requirement for each business entity engaging in business in the state to file a commerce tax return. What it will essentially do is require that only the businesses that meet the \$4 million threshold for gross revenue will have to file a return with the Department of Taxation.

This proposal has a State General Fund savings of \$37,228 over the biennium. That may not seem like much; however, most of the savings comes from cost avoidance. If the Department of Taxation would have to go after the taxpayers who are not compliant with the filing requirement, it would take a lot of effort as 72.2 percent of the taxpayers are not compliant with filing.

In fiscal year 2018 the Department of Taxation processed 13,314 tax returns that were zero filers within the Department of Taxation resources; 66,961 were filed with Nevada Lockbox; and 73,624 were submitted online. So what we have is only about 1.57 percent of the commerce tax accounts—which equals on average over the filing periods for the last three years—about 6,900 taxpayers who are required to file. That completes my presentation and I am here for any questions you may have.

Assemblywoman Cohen:

In section 1, subsection 2, regarding the change of language about business in this state versus Nevada gross revenue, why was that language changed? What is Nevada gross revenue versus engaging in a business in this state, which is the language that was deleted and replaced with Nevada gross revenue?

Melanie Young:

I am going to bring Ms. Hughes up to the table to answer your question.

Shellie Hughes, Chief Deputy Executive Director, Department of Taxation:

I believe that is just clarifying that this applies to the Nevada gross revenue here in the state. I am not sure why the language was changed from engaging in a business in the state. That was an Legislative Counsel Bureau drafting change.

Assemblywoman Cohen:

Are we talking about capturing different funds?

Shellie Hughes:

No.

Assemblywoman Cohen:

Or different people?

Shellie Hughes:

No. It is still using the same existing language in NRS Chapter 363C.

Assemblywoman Spiegel:

As I read this, I thought that the existing commerce tax applies only to companies whose gross revenues exceed \$4 million, but that every business had to fill out a report, and that this language change changes the requirement that every business file a report, to only reports needing to be submitted for companies that are subject to the commerce tax. Is that a correct reading?

Shellie Hughes:

Yes, that is a correct reading.

Assemblywoman Benitez-Thompson:

One of the things that was nice is when we have everyone filing, we are able to quantify, of the businesses in Nevada, how many come in with gross revenue over \$4 million per year versus all those below \$4 million a year. In a separate budget hearing, I think it was about 187,000 businesses that do not make \$4 million per year, which was impressive and nice that we have an idea. Sometimes when we talk about businesses and we have 15 different definitions of small business, you look at quantity of employees or how much they make. But I always thought it was cool we have a number now; we actually know how many entities are out there that do not make that much. I kind of mourn a little bit, that little tidbit of data, because I think we are always guessing what our impact of certain changes might be, like on business. With the adoption of the commerce tax, we think more big business, those that pay the commerce tax versus small businesses that do not, if we were going to think about how much money they made. Will you miss that data? Do you see a need for that data?

Melanie Young:

We do have the data. I will share that with you and how we will capture the businesses that are within that \$4 million threshold. In fiscal year 2018 there were 534,346 taxpayer accounts that were required to file. Only 145,981 tax returns were filed, so there were 388,365 taxpayers not in compliance, and 6,924 met that threshold. Going back to fiscal year 2016—I do not have the exact details of who filed and met that threshold—when this was first implemented, we had 361,874 taxpayers. So on average, only about 1.57 percent over the last three years were the ones that met that threshold.

The way we are looking at capturing this data right now is when they file a tax return, it is basically the taxpayer information. They check a box saying they are under that threshold. There is not a lot of data that is collected through this process to be able to identify whether they should be or not. We typically look at sales and use tax returns because that can tell us a lot about a business here in Nevada, as well as modified business tax, and based on that information, we can glean who should be close to that threshold. In addition to this decision unit we submitted in the budget, we were asking for some business analytic software so we could identify further who was close to that level.

Chair Neal:

Are there any additional questions? [There were none.] I will now take testimony from those in support of S.B. 497.

David Dazlich, Director of Government Affairs, Las Vegas Metro Chamber of Commerce:

We are here today in support of S.B. 497. We believe this is a good, strong, pro-business measure, and will help the starting and growing businesses of Nevada.

Miranda Hoover, representing Reno Sparks Chamber of Commerce:

We would like to echo those sentiments and put on the record we greatly appreciate this bill being brought forward.

Michael Pelham, Director of Government and Community Affairs, Nevada Taxpayers Association:

We support this bill.

Chair Neal:

Is there anyone else who wishes to testify in support of S.B. 497? [There was no one.] Is there anyone who wishes to testify in opposition to S.B. 497? [There was no one.] Is there anyone who wishes to testify neutral on S.B. 497? [There was no one.] There are no closing remarks from the Department of Taxation. I will close the hearing on S.B. 497 and open the work session on S.B. 497.

**Senate Bill 497: Eliminates certain filing requirements related to the commerce tax.
(BDR 32-1198)**

Chair Neal:

This bill has no amendments. I will entertain a motion to do pass Senate Bill 497.

ASSEMBLYMAN HAFEN MOVED TO DO PASS SENATE BILL 497.

ASSEMBLYWOMAN SPIEGEL SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

I will assign the floor statement to Assemblyman Hafen. I will now open the hearing for public comment. [There was none.] We are adjourned [at 3:51 p.m.].

RESPECTFULLY SUBMITTED:

Gina Hall
Committee Secretary

APPROVED BY:

Assemblywoman Dina Neal, Chair

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

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