

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

**Eightieth Session
March 28, 2019**

The Committee on Taxation was called to order by Chair Dina Neal at 4:07 p.m. on Thursday, March 28, 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 and to Room 121 of the High Tech Center, Great Basin College, 1500 College Parkway, Elko, 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:

Assemblyman John Ellison, Assembly District No. 33
Assemblyman Glen Leavitt, Assembly District No. 23



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

OTHERS PRESENT:

Marily M. Mora, President and Chief Executive Officer, Reno-Tahoe Airport Authority
Curtis Calder, City Manager, City of Elko
Reece Keener, Mayor, City of Elko
Matthew J. Walker, representing Reno-Tahoe Airport Authority
Paul J. Moradkhan, Vice President, Government Affairs, Las Vegas Metro Chamber of Commerce
Phil DeLone, President and Chief Executive Officer, Reno-Sparks Convention and Visitors Authority
Ann Silver, Chief Executive Officer, Reno-Sparks Chamber of Commerce
Jim Nadeau, representing Economic Development Authority of Western Nevada
Peter Guzman, President and Chief Executive Officer, Latin Chamber of Commerce Nevada, Inc.
Patti Jesinoski, Private Citizen, Henderson, Nevada
Katie Neddenriep, Executive Director, Elko Convention and Visitors Authority
Chris J. Johnson, Private Citizen, Elko, Nevada
Sheldon Mudd, Executive Director, Northeastern Nevada Regional Development Authority
Jesse A. Wadhams, representing Newmont Mining Corporation
Elisa Cafferata, representing Planned Parenthood Votes Nevada
Chip Stone, Councilman, City of Elko
Paul Young, representing Nevada Mining Association
Janine Hansen, State President, Nevada Families for Freedom
Derek Armstrong, Deputy Director, Southern Nevada, Office of Economic Development, Office of the Governor
Richard Stokes, Superintendent, Carson City School District
Natha C. Anderson, President, Washoe Education Association; and representing Nevada State Education Association
Barbara Jones, Private Citizen, Reno, Nevada
Chris Ferrari, representing American Rental Association
Edward W. Noonan, Director of Government Affairs, United Rentals
Jenny Phillips, Director of Tax, Ahern Rentals
Jaron S. Hildebrand, Manager, Government Affairs, Nevada Trucking Association
Jana Seddon, Assessor, Storey County; and President, Nevada Assessors' Association
Chris S. Sarman, Legislative Committee, Nevada Assessors' Association

Burton Hilton, Assessor, White Pine County
Jeff Johnson, Assessor, Humboldt County
Briana Johnson, Assessor, Clark County
Doug Scott, Assistant Director, Assessor's Office, Clark County; and Member,
Nevada Assessors' Association

Chair Neal:

[Roll was taken and Committee rules and protocol were reviewed.] Today we have a work session and three bills to hear. I will open the work session on Assembly Bill 113.

Assembly Bill 113: Revises provisions governing the taxation of certain deliveries and transfers of firearms. (BDR 32-659)

Michael Nakamoto, Deputy Fiscal Analyst:

The first bill on today's work session is Assembly Bill 113 ([Exhibit C](#)), which was heard in this Committee on February 28, 2019, and was sponsored by Assemblywoman Titus. Assembly Bill 113 clarifies that, for the purposes of state and local sales taxes, the Department of Taxation may not consider the delivery or transfer of a firearm outside of Nevada by a person in the state who is a firearms dealer licensed by the Bureau of Alcohol, Tobacco, Firearms and Explosives to be a retail sale made by that dealer if the delivery or transfer of the firearm is made to facilitate the transfer of the firearm from outside of Nevada in compliance with federal law, and the sales price for the firearm is paid to a person other than the licensed firearms dealer delivering or transferring the firearm. There were no amendments to the bill. That concludes the work session document on A.B. 113. I am available to answer any questions.

Chair Neal:

Members, do you have any questions? [There were none.] I want to explain to the Committee there will be no amendment on A.B. 113 ([Exhibit D](#)). The bill will be as-is, and will be passed out of this Committee as presented on February 28, 2019. Do I have a motion?

ASSEMBLYWOMAN BENITEZ-THOMPSON MOVED TO DO PASS
ASSEMBLY BILL 113.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

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

THE MOTION PASSED UNANIMOUSLY.

I will assign the floor statement to Assemblywoman Titus. I will close the work session on A.B. 113 and open the work session on Assembly Bill 224.

Assembly Bill 224: Revises provisions governing the NV Grow Program. (BDR S-28)

Michael Nakamoto, Deputy Fiscal Analyst:

Assembly Bill 224 was heard in this Committee on March 12, 2019, and is sponsored by Chair Neal. It revises the NV Grow Act, which was originally approved by the Legislature in Assembly Bill 399 of the 78th Session, by making several changes to the program. It first transfers the responsibility to develop, create, and oversee the program from the Office of Economic Development, Office of the Governor, to the Division of Workforce and Economic Development at the College of Southern Nevada (CSN); it requires the Nevada Small Business Development Centers in Clark and Washoe Counties to be responsible for the management of the lead counselor at CSN; and it adds various entities affiliated with the Small Business Administration to the list of stakeholders participating in the program. The bill additionally provides for a State General Fund appropriation of \$425,000 to the Nevada System of Higher Education to allow CSN to perform certain tasks relating to the administration of the program.

Attached to your work session document ([Exhibit E](#)) is a series of proposed amendments that were submitted by the sponsor of the bill at the hearing. I will go through those for you:

- On page 3 [page 4, ([Exhibit E](#))] there is a change to the administration of the program with respect to selecting the lead counselor and management of the NV Grow Program. Previously it was the Small Business Development Centers in Clark and Washoe Counties. This is changed in the proposed amendment to the Division of Workforce and Economic Development of CSN.
- On pages 3 and 4 of the proposed amendment [pages 4 and 5, ([Exhibit E](#))] there are various changes clarifying various roles in the program between the Small Business Development Centers and the Division of Workforce and Economic Development of CSN.
- On page 5 there are two changes [page 6, ([Exhibit E](#))]. The first change is on line 85, changing the scope of the program from a goal of selecting 15 businesses in Clark County every year to a minimum of 30 businesses every year.
- On lines 114 and 115 the Asian Community Development Council is added to the stakeholders group.
- On page 6 of the proposed amendment [page 7, ([Exhibit E](#))], beginning on line 132, there are additional provisions added with respect to development and partnership opportunities and goals for the program.
- On page 7 of the proposed amendment [page 8, ([Exhibit E](#))], on lines 176 and 177, there are additional items that are added with respect to expenditures that could be made with the appropriation noted within the bill, which are data software and expenditures for interns.

The only other thing I would add with respect to this bill is that the Fiscal Analysis Division, Legislative Counsel Bureau, determined it is eligible for exemption. This determination was made in late February. For those of you who are new to the Legislature or new to this part of the process, what that means is once this bill leaves this Committee, the next stop is likely the Assembly Committee on Ways and Means.

There is one additional amendment to the bill that the Chair will be discussing, as it is her amendment. Other than that, I am happy to answer any questions about the work session document.

Chair Neal:

The additional amendment you need to add is on page 5 of the amendment [page 6, ([Exhibit E](#))], in reference to expanding the stakeholders group. There was an omission. The Henderson Chamber of Commerce should have been added to the list of stakeholders, in addition to the Asian Community Development Council, in the proposed amendment. I need you to make note of that. When you see this bill again, it will have the Henderson Chamber of Commerce included. They asked to be added and we were grateful to have them added. If you remember in the hearing, we had a lot of businesses represented from those ZIP Codes. Members, do you have any questions? [There were none.] I will entertain a motion to amend and do pass with the proposed amendment [pages 3 through 9, ([Exhibit E](#))] and the additional amendment.

ASSEMBLYWOMAN SPIEGEL MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 224.

ASSEMBLYMAN HAFEN SECONDED THE MOTION.

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

THE MOTION PASSED UNANIMOUSLY.

I will do the floor statement on A.B. 224. I will close the work session on A.B. 224 and open the hearing on Assembly Bill 242.

Assembly Bill 242: Makes various changes relating to regional commercial air service in this State. (BDR 18-1024)

Assemblywoman Lesley E. Cohen, Assembly District No. 29:

Here with me today in Carson City is Marily Mora, President and Chief Executive Officer of the Reno-Tahoe Airport Authority; Curtis Calder, who is the Elko City Manager; and Matt Walker with Brownstein Hyatt Farber and Schreck, LLP, who represents the Reno-Tahoe Airport Authority. I will give a brief overview of the reasoning behind this legislation, and Ms. Mora will help walk the Committee through the bill and explain the economic benefits it will provide to all of Nevada, while Mr. Calder will discuss the matching component of this legislation.

As you are aware, Nevada is a large and diverse state. This requires Nevadans to travel long distances in order to have access to health care, government, education, and entertainment. Fortunately, numerous airlines provide air service between Las Vegas and Reno, connecting the two largest population centers. Unfortunately, Nevada does not have the same access and connectivity between the large population centers and our rural communities. Assembly Bill 242 seeks to connect the economic and cultural centers of the Silver State by encouraging expansion of air service to the underserved areas of Nevada.

In 2006 the City of Elko found itself with no airline service. Prior to this time, SkyWest Airlines operated flights from Salt Lake City, Utah, to Elko and to Reno. These routes are no longer an option for travelers, forcing individuals to either make the long drive from Reno or Las Vegas to Elko, or fly to Salt Lake City and drive to Elko, or take the occasional flight between Elko and Salt Lake City. Both options significantly increase the time it takes to travel between urban and rural Nevada.

With the goal of connecting these communities, A.B. 242 seeks to create the Nevada Air Service Development Commission and the Nevada Air Service Development Fund. The commission will be comprised of members of the Office of Economic Development, Office of the Governor (GOED); and the members of the Nevada Commission on Tourism and the Department of Tourism and Cultural Affairs. The commission would be authorized to accept monetary gifts, grants, and donations from any source funds. Additionally, the bill outlines how the fund is to be managed and authorizes the commission to award grants of money from the fund to air carriers that meet certain requirements.

We believe the creation of this fund will allow Elko to capture the air traffic that is currently going out of state. This includes international Las Vegas tourists who are looking to have a cowboy experience. This is what really caught my attention and why I became interested in this issue. They travel to Elko to wear cowboy hats, boots, and spurs while herding cattle on horseback. They are not looking to be wined and dined, but to have dinner from the chuck wagon by the campfire after working on a ranch all day. In order to access these ranches, they fly from Las Vegas to Salt Lake City, and then drive to Elko. It is our goal to provide our international visitors with direct access to these authentic Nevada experiences.

In addition to adding direct access to our tourist friends, a flight from Las Vegas or Reno to Elko will assist both the business and nonprofit communities. Whether it be a state employee, business executive, or representatives of a nonprofit, opening up the rural market to our urban commuters will improve how government and businesses operate in Nevada. I would now like to turn it over to Ms. Mora.

Marily M. Mora, President and Chief Executive Officer, Reno-Tahoe Airport Authority:

I will share my prepared remarks on A.B. 242 and then talk about the amendment ([Exhibit F](#)) to this bill. I am speaking in support of A.B. 242. As stated by Assemblywoman Cohen, the purpose of this bill is to create the Nevada Air Service Development Commission and the

Nevada Air Service Development Fund. The commission and fund will provide better air service connections to all parts of Nevada, increasing the quality of life for the state's residents, helping spur economic development, and increasing the attraction of visitors.

As stated before, the commission will be comprised of the Executive Director of the GOED, or a designee, and members of the Nevada Commission on Tourism. The commission will work with both small-hub airports, such as Reno-Tahoe International Airport, and nonhub airports, such as Elko Regional Airport, to commence and continue air service in some of the smaller airports across Nevada.

Assembly Bill 242 creates the mechanism for funding for air service only within the state of Nevada. To attract and maintain air service today, a community must offer risk mitigation to air carriers to serve routes from small-hub and regional airports. Today, Reno-Tahoe International Airport is in competition with 400 other commercial airports across the country, all fighting to land the same airlines and same flights for their communities. No matter how much our mining industry, medical community, bankers, and families need these flights, the airlines need to make money for it to work. Aircraft have wings. If we do not financially support flights for our small communities, they will fly somewhere else where the money is available.

To begin the fund, an appropriation of \$1 million each year of the biennium is requested. Unused funds return to the state. The mechanics of the process are that a tourism or development organization, a chamber of commerce, or an organization formed to encourage increased air service in this state would apply for funding for an air service opportunity. The applicant would contribute 20 percent to the funding of the opportunity, and the Nevada Air Service Development Fund would provide 80 percent. The local 20 percent match from the applicant could be marketing funds, waivers, or reduction of air carrier rental space, terminal or landing fees at the airport. The air carrier that receives the funding will enter into a written agreement with the Nevada Air Service Development Commission.

To give an example of an agreement, the stipulation may be that the air service has a minimum amount of days served. For example, it might be four days a week between Reno and Elko and three days a week between Elko and Las Vegas. The agreement could also stipulate the type of aircraft to be utilized with the most likely choice for this type of service being a regional jet with 30 seats. The Nevada Air Service Development Commission would evaluate applications with key criteria being that the air service route has a reasonable chance of success and would be sustainable without grant funding in the future. The funds would guarantee the airline on an agreed amount of revenue per flight to the airline with pre-stated operational costs for the flight. These might be stipulated as a quarterly round-trip average. The agreement can be specific about such things as audit rights, termination clauses, and established conference calls between the airline and the Nevada Air Service Development Commission for regular check-ins.

The idea of the Nevada Air Service Development Commission and the Nevada Air Service Development Fund emerged a number of years ago when it was observed that states were helping to secure air service. A good example is Wyoming. In 2003 the Wyoming State Legislature passed Senate File No. 0120, to create the Wyoming Air Service Enhancement Program. Since the inception of this program, all of Wyoming's communities with commercial airports have participated in this, with over \$29 million being granted. A study completed in 2016 on this Wyoming program showed that for the \$21 million invested for 60 grants over a 12-year period, there was an average return of \$24 for every dollar invested by the state.

According to an economic impact study recently done by the University of Nevada, Reno (UNR) for A.B. 242, the state's investment would generate a return of 128.8 percent. The total economic impact of four flights per week between Reno and Elko, and three flights per week between Las Vegas and Elko, would be \$6.4 million per year. It would also add the equivalent of almost 42 full-time jobs to the state of Nevada.

In conclusion, A.B. 242 is an important solution to connecting the population centers throughout our vast state. It offers a cost-effective approach that will bring a return on investment on the state's funding. Assembly Bill 242 will connect our state by air in new ways while enhancing the quality of life in rural Nevada.

I would like to walk the Committee through the amendment to this bill, which we hope differentiates this proposal from previous flight support bills:

1. The bill allows for tourism, development organizations, chambers of commerce, and air development corporations to partner with airports. This is in section 7. Previous versions of this bill limited the match to airports and just air service development corporations.
2. Sections 8, 9, and 10 clearly define eligible airports. Previous versions were less clear regarding who could and could not apply for mitigation funds for routes servicing nonhub airports, or whether airports were required to be Nevada airports. Again, this strictly limits the fund to within Nevada.
3. This version of the amendment also allows the Executive Director of GOED to designate a designee to participate on his or her behalf. Previous versions required the Executive Director to serve on the commission.
4. Clear definitions of eligible routes, and the types of support the commission can receive an award. This is in section 14.
 - Unlike previous versions, this bill allows applicants to propose routes that include large-hub airports such as McCarran International Airport, servicing small-hub airports such as Reno-Tahoe International Airport, or nonhub airports such as Elko Regional Airport, so that every region of the state can benefit from the bill.

- Removes airports from the direct 20 percent match, but clarifies other types of support—the types that are not contrary to federal regulations—an airport can include in an application. These additional supports from the airport and air service corps are further defined in section 15, subsection 4.
 - This section also makes it clear that only intrastate routes are eligible and only applications with letters of support from the airports impacted by the applications should be considered. This will prevent any non-coordinating groups or groups affiliated with an airline from attempting to access these funds directly.
5. The bill clarifies that the money is for risk mitigation only. This is in section 14, subsection 2. Previous versions allowed money to be used to lower ticket price. Conversely, this version makes it clear that:
- The route must be viable—this is a short-term subsidy for viable routes.
 - When routes are profitable, state funds should not supplement profits or subsidize ticket prices, but should be returned to the State General Fund.

I will turn it back over to Assemblywoman Cohen.

Assemblywoman Cohen:

I believe Mr. Calder has a prepared statement.

Curtis Calder, City Manager, City of Elko:

I am speaking in support of A.B. 242. The City of Elko is the owner and operator of the Elko Regional Airport, one of only four Part 139 Airport Certification commercial airports in the state of Nevada. As previously mentioned, prior to 2006 SkyWest Airlines provided direct air service between Elko and Reno. It generated approximately 17,000 enplanements per year.

As many of you know if you have been to Elko, we are geographically isolated. We are about 300 miles from Reno and 430 miles from Las Vegas. The drive time between Elko and Reno is about 4 hours and between Elko and Las Vegas is 7 hours. Elko's air service market is primarily driven by a robust gold mining industry, but it is also supplemented by tourism and convention business. Elko is home to Great Basin College, part of the Nevada System of Higher Education, and also numerous federal, state, and local regional government offices. That requires constant travel between Reno, Carson City, and Elko, so there is a lot of drive time spent every week by many people doing business on a day-to-day basis. In addition, there are numerous medical professionals who commute weekly between offices in Reno and offices in Elko. They are on the road a lot.

Elko Regional Airport is an important economic development asset for northeastern Nevada, and without commercial air service, the regional mining industry and support industries to that industry would be negatively impacted. The City of Elko fully supports the funding

structure that has been proposed in the language, and that would include the local 20 percent match. The City of Elko understands the importance of statewide air service development and the diversification of our economies in various regions of the state, and that is why we are in support of A.B. 242.

Reece Keener, Mayor, City of Elko:

I am here to testify in support of A.B. 242. I am pleased to be joined by many people at Great Basin College in Elko today. I am happy they are able to participate. There are also more than 100 supporters who wrote letters in support of this legislation ([Exhibit G](#)).

This bill enjoys wide support in our community, including government sector employees who travel a lot throughout the state and currently have to drive much of the time. Medical and behavioral health professionals travel long hours to care for patients in rural Nevada, along with mining professionals, business people, sports enthusiasts—Las Vegas Raiders fans, Vegas Golden Knights fans, UNR sports fans, NASCAR [National Association for Stock Car Auto Racing] and NFR [National Finals Rodeo] fans. There are also many regular citizens who travel for leisure and family visits, potentially including the proposed Carlin Youth Challenge Academy.

This bill will provide much-needed connectivity with the rest of the state. I urge you to support this important legislation and would also like to thank you for having us first on the agenda because we all have a very long drive back to Elko this evening.

Chair Neal:

Assemblywoman Cohen, are you ready for us to ask questions?

Assemblywoman Cohen:

Yes.

Assemblyman Kramer:

I notice this is for the risk mitigation for someone coming in. Are there any federal grants that could help this process—matching for any of those federal grants?

Marilyn Mora:

There is a federal program called the Small Community Air Service Development Program. Both Elko Regional Airport and Reno-Tahoe International Airport intend to apply for that for the Reno-Elko route. We sought federal change in the legislation so that Reno-Tahoe International Airport could be an applicant for that process because they used an old metric of being a small hub in 1997, when we were a medium hub. We got them to upgrade the process so we could apply for that. If we were successful in getting a federal grant, it could mean that the state money would not be needed for the Elko-Reno route, or it could mean there would be a reduced amount of money needed. However, that is a very competitive process and we have no guarantees that would be available.

Assemblywoman Backus:

I am trying to visualize how this would work with respect to whether an air carrier qualified for the funding. Do you have an example from Wyoming's program as to how these funds could go to good use?

Marily Mora:

I think it would be better to talk about an example in Nevada. I am not as savvy on all the metrics that are used in the Wyoming program. For example, the Nevada Air Service Development Commission would be the negotiator with the airline—certainly with a lot of help from subject matter experts from the airport—but an agreement is negotiated. They want to make a rate of return for their flights. There would be a negotiation of how much it costs to operate that flight and what would be that guaranteed rate of return. You are probably looking more realistically on a quarterly basis, so a payment would be made on a quarterly basis. There is an agreement that talks about a lot of—basic to that, you have to talk about specifics on the operating costs and what they are paying for fuel. All of that goes into the component. There would be termination clauses, audit clauses. For example, we have talked to an airline that does serve McCarran International Airport that might be interested in this route. On a daily basis they may take that aircraft and fly Reno to Elko, Elko to Las Vegas, Las Vegas to Elko, and Elko to Reno. They do have an interest in serving not only Elko to Reno, but also Elko to Las Vegas. It is really a negotiation with the airline. The 20 percent match comes from the applicant, so in this case it might be Elko, and certainly they would bring all of the fee waivers from the airport and any marketing funds that may come from the local community. I hope I have answered your question in enough definition.

Assemblywoman Backus:

You did. I am just trying to visualize what it would be. Even though there is an agreement that is going to be between the air carrier and the commission, it sounds to me as though there is going to be some flexibility in that agreement. It is not going to be as if you are going to do X, Y, and Z each week this way—it sounds to me as though there is going to be some flexibility to it—such as whether it is a triangle-type flight pattern or a round-trip. It is going to be fluid, I take it.

Marily Mora:

I think that would be spelled out specifically in the agreement. Most likely there would be a definition of how many times they are going to fly that route. In the agreement there would be a minimum commitment of how many flights they might have between Reno and Elko, and Elko and Las Vegas. That definitely would be part of it. There would be an agreement on what type of aircraft would be used. All that would be spelled out in advance because they have to meet their end of the deal. They cannot just come in here and get money from the state and the local match and not perform as to what is spelled out in terms of how many flights on a weekly basis they might need to provide.

Assemblywoman Spiegel:

I did not see detailed in the bill how the process would work for determining which carrier you would be working with. Is there a competitive bidding process? Are there preferences that would be given to women-, minority-, or veteran-owned businesses? You did mention that there would be some minimum performance criteria that would be established, but you did not really say what would happen if the selected provider did not satisfy the requirements that were put forth in the contract. How would the program be monitored? Would the monitoring not look just at the number of flights, but also the passenger loads so we could make assessments going forward about the economic contribution and benefit to the state? If there are ten flights per week and they are flying empty or with three people, that is not necessarily going to be providing the value that is intended.

Marily Mora:

There would have to be a monitoring of the number of passengers on each flight—what we call the load factor—and how many flights there were. All the metrics you talked about would be part of the audit of how that is doing, and again, I think you look at the payment point of view on possibly a quarterly basis, but that would be something at the get-go, talking about that on a weekly basis, looking at that on the month. All the other criteria you spoke about, it would really be up to the commission to set those criteria. I think there are a lot more mechanics that need to go into this. There would have to be an application, and it would be up to the commission to determine which airline application the community match would best serve the state and the mission of this program.

Assemblywoman Spiegel:

Could we ensure that the regulations would put requirements in for all of these things, including reporting back to the Legislature?

Marily Mora:

Absolutely. I think that would be very important because of the funding mechanism set up here—that there is a regular communication vehicle that comes back to the Legislature on that.

Assemblywoman Benitez-Thompson:

Regarding section 10 of the bill, talking about how you are setting up the commission and how the commission will work, if the commission is allowed to accept gifts and funds, why is the account going to live in the State Treasury versus just having an account that lives with the commission?

Matthew J. Walker, representing Reno-Tahoe Airport Authority:

This fund was modeled after previous iterations of this bill, similar concepts for air support. Other state funds in states such as Michigan and Iowa do have their own funds, so that is certainly not outside of the parameters of best practice. We would be happy to work with the sponsor to address that, should it be an issue.

Assemblywoman Benitez-Thompson:

The gifts, grants, and other donations that come in, will those be held in a separate account or will those go into the State Treasury, into this specific fund?

Matthew Walker:

I believe it is intended that the commission would oversee the receipt of those grants and it would go into the fund. I think, in a manner of practice and what is certainly considered in our conversations, that many of these gifts and grants will not necessarily be in dollars with the exception of some of the 20 percent match. They would, in fact, be additional marketing support, waivers of certain fees, and other contributions outside of actual dollar contributions—although the 20 percent local match would certainly be an exception.

Assemblywoman Benitez-Thompson:

In reference to Assemblyman Kramer's question where there might be some federal dollars available that come through if we get lucky enough in that application process, would those go into this fund in the State Treasury? Would we not have a separate fund? Is it fine for all those to land in one spot?

Marily Mora:

I think the way the federal program works is it comes to the airport. I think what would happen is if we were fortunate to get a federal grant for the Small Community Air Service Development Program, then the application would ask for less from the state or nothing from the state if that came forward, but it would need to reside elsewhere.

Assemblywoman Benitez-Thompson:

I see here later in the same section you are talking about the funds being paid as other claims against the state are paid. Does that mean we are talking about the State Administrative Manual process for how we move funds, or just meaning that we will be sure to take direction?

Matthew Walker:

We will certainly look into that and get you an answer. I think the intention here, regarding this language, is that the funds be returned to the State General Fund first on an annual basis before the local match or any of the other gifts or grants would be returned, should the funds be unexpended. However, based on your specific questions, we will certainly look into that and get an answer back to you and the Committee.

Chair Neal:

Do the members have any additional questions? [There were none.] I am happy you spoke to Assemblywoman Benitez-Thompson about the in-kind contribution that is in the amendment ([Exhibit F](#)). You spoke to it indirectly. I was curious about what that structure looked like. You added advertisement and all these other items. In section 15, subsection 2, paragraph (b) of the amendment, I want some clarity around the sentence about the commitments from the air carrier if the commission awards the grant to the air carrier.

Structurally, I was trying to figure out how it works. I understand that this is a new idea and we need to figure out how to get money in various different ways. How would the grant award work in that scenario?

Marilyn Mora:

There is an assessment made. Generally our experience with these types of programs has been on a quarterly basis where you look at the rate of return, or the guarantee that was for each flight, and where that gap is. That is what the grant is being used to pay—the gap between what the airline has to make to operate that flight and what actually happens. You have an up-front agreement on what those costs are, but that agreed-upon gap between the rate of return would be paid out on a quarterly basis to the airline if that is the way the agreement is written.

Matthew Walker:

If I might add to that, it would be a commitment for one or two years of operating that agreed-upon route. Since it is a quarterly disbursement of funds from this commission to that airline, before they receive any of those funds they would enter into this contract. It would stipulate many things, in addition to their commitment to service that route for the specified length of time. I think that is what this language is intended to capture—they will enter into a contract before they receive any funds.

Chair Neal:

Seeing no further questions, I will call those in support of A.B. 242 to the table.

Paul J. Moradkhan, Vice President, Government Affairs, Las Vegas Metro Chamber of Commerce:

As you may know, the Las Vegas Metro Chamber of Commerce has supported this initiative in previous legislative sessions and is pleased to see this bill come back. The Chamber supports programs that connect our rural communities to our urban centers. We believe this bill is about job creation, connecting tourism and health care. We believe the dollars invested here will create jobs in our rural areas. As you know, the Chamber is the state's largest business association, and we have members in communities such as Elko. We know this is important to those companies and to those residents. Our Chamber is in support of this policy and the fiscal appropriation that would be attached to it.

Phil DeLone, President and Chief Executive Officer, Reno-Sparks Convention and Visitors Authority:

I am here this afternoon to testify in full support of A.B. 242. The purpose and intent of this bill is to stimulate and provide better air service within Nevada, specifically service between Elko and Reno, and possibly Elko and Las Vegas. In northern Nevada, having sufficient air service is a key driver of both economic development and tourism. Northern Nevada has experienced dramatic economic growth these last few years along with growth in our population. Improved air service will help support and stimulate further growth over the coming decade. At present, the Elko-Reno air service corridor is at best underserved. It needs more commercial airline service. The same holds true for the Elko-Las Vegas

corridor. Your support and passage of A.B. 242 will improve air service within the state of Nevada. Passage will help sustain vital economic growth in northern Nevada and will be a welcomed benefit for tourism, business travelers, and residents alike.

Ann Silver, Chief Executive Officer, Reno-Sparks Chamber of Commerce:

I urge you to endorse A.B. 242, which will enable the Nevada Air Service Development Fund to restore round-trip flights to and from Elko to Reno and Las Vegas. We have over 200 members that procure or sell products in Elko, whose owners and operators visit Elko or pass through Elko on the drive to the best picon punch in Nevada. The road trip is a long one, as most of you know. Radio service is spotty and high-calorie foods are the only nutrition available along that four-hour route. We are a small state that is growing rapidly, so we need efficient travel options to maintain our vital business and tourism economies. I know I speak for the Elko Chamber of Commerce in encouraging this Committee to approve funding for air service that will connect our three largest cities. These flights will make Elko a one-day trip destination, and it will make intrastate business and tourism expansion a reality.

Jim Nadeau, representing Economic Development Authority of Western Nevada:

In your exhibits you have a letter from Mike Kazmierski, the president and chief executive officer of the Economic Development Authority of Western Nevada [page 1, ([Exhibit G](#))]. We support A.B. 242. It will reduce travel time for employees and residents traveling to and from Elko for business and leisure, as well as connecting the Elko region to other major population centers in Nevada. The passage of this bill will help with the growth of the economy in western Nevada and will enable the state to work together more effectively.

Chair Neal:

Members, do you have any questions for those at the table? [There were none.] I will go to Elko now. Is there anyone in Elko who wants to testify in support of A.B. 242? [There was no one.] I will go to Las Vegas and then come back to Carson City.

Peter Guzman, President and Chief Executive Officer, Latin Chamber of Commerce Nevada, Inc.:

It is refreshing to be able to testify on a bill like this. The Latin Chamber of Commerce supported this bill in the past and supports small business development across our state. Businesses found in rural towns—Elko, for example—rely heavily on visitors to keep their industries afloat. A direct flight route from Reno to Elko would better accommodate these visitors and assist Elko locals in keeping their organizations successful.

Nevada prides itself on being a state dedicated to supplying opportunity for all citizens, which is what the Latin Chamber of Commerce also stands for. Assembly Bill 242 is a bill that connects the diverse cultures in Nevada by providing flight routes to underserved communities. The benefits of such routes are many, including expanding health care, education, entertainment access, and most important, promoting revitalization efforts and creating new avenues of adventure for native Nevadans and visitors alike. We thank

Assemblywoman Cohen, the Reno-Tahoe Airport Authority, and all those who played a role in bringing such an important opportunity to expand economic development with this legislation.

Patti Jesinoski, Private Citizen, Henderson, Nevada:

I would like to stand in support of A.B. 242. As the Elko City Manager talked about the need for their doctors to commute from Reno to Elko, I see the need for these air services for the rural areas. Also, if a patient needs services in a larger hospital, such as in Las Vegas and Reno, this is a real need.

The questions I have are fuel costs and whether this is going to include fuel needed to fly to Reno or to Las Vegas to begin the route for the day. I am also in support of this because it was just discussed in the Assembly Committee on Education [Assembly Bill 358] how they are trying to recruit medical professionals to locate to the rural communities, and having access to airline services for those people is going to help retain them better ([Exhibit H](#)).

Chair Neal:

Members, do you have any questions for those in Las Vegas? [There were none.] I will go back to Elko.

Katie Neddenriep, Executive Director, Elko Convention and Visitors Authority:

I submitted a letter in support of the bill [page 2, ([Exhibit G](#))]. As many folks are aware, right now the only commercial air service to Elko is through SkyWest, taking us to fabulous Salt Lake City, Utah. Those fares can be cost-prohibitive for leisure travelers, so many folks, and I am a guilty party myself, choose to drive to Salt Lake City. They will spend the night, go shopping, and eat in restaurants. Those are rural dollars that we would love to keep here in the state of Nevada, so passage of this bill stands to keep those dollars here in our great state, supporting not only our rural communities but the urban communities those are connected to. As a veteran of the mining industry, I know the mining industry in this part of the state is very well connected to the southern part of our state as well as the western part, and having direct commercial air service to those communities would be a great benefit for many of our local professionals.

Chris J. Johnson, Private Citizen, Elko, Nevada:

I am the former mayor of the City of Elko. I wanted to point out a couple of things. In visiting with SkyWest over the years, their reason for discontinuing the flight between Elko and Reno was not necessarily because it was a nonprofitable route; it was because they had a change in their business model. The City of Elko's data supports that the flights between Elko and Reno will be profitable, but the subsidy is needed to be able to get an airline carrier or airline company to be able to make a commitment too. Having it absolutely defined on how the money would be spent really is not an answer to what the carrier needs in order to provide that model. But in the end, the numbers we have seen over the years from Elko show that the flight is sustainable but just needs a subsidy between now and then in order to get it established.

It is just icing on the cake to be able to have Elko-Reno and Elko-Las Vegas, and the testimony that has been given today is absolutely spot-on. It is great that we really look at this to have Nevada as a neighborhood. Having a flight established between Elko and Reno and Las Vegas would be a big benefit in that. It would be great to have folks coming from Las Vegas to Elko and vice versa.

I think the comparison of Nevada to Wyoming is a good one as far as why Wyoming continues to provide a subsidy for their rural carriers. But in the end, I think it was very important that SkyWest did not drop the flight between Elko and Reno because it was a money loser but because they had a change in their business model.

Sheldon Mudd, Executive Director, Northeastern Nevada Regional Development Authority:

I also sent a letter in support of this bill [page 3, ([Exhibit G](#))]. I want to mention that in the last three years our organization has lost potential economic opportunity—two very versatile international businesses that were looking to relocate into our area and could not do so because of the lack of air service. Instead, they chose Salt Lake City. It was as close as they felt they could be to our market but still have that air service.

Without a bill like this, we simply are not going to be able to take advantage of the economic opportunity we are seeing in our region. We have drawn a lot of attention from outside of the state and globally in recent years, and if our rural areas are going to experience the same economic success that has been seen in other parts of the state, air service is going to be essential.

Chair Neal:

Is there anyone else wishing to speak in support before we switch back to Carson City?
[There was no one.]

Jesse A. Wadhams, representing Newmont Mining Corporation:

We just wanted to lend our support to the bill.

Elisa Cafferata, representing Planned Parenthood Votes Nevada:

We are expressing our support in terms of the health care issues. I wanted to share a personal story, which does not have to do with Planned Parenthood but does have to do with health care. My nephew was born in Fallon with spina bifida, and he and mom were Care Flighted to Renown, which was Washoe Medical Center at the time. The rest of the family had to drive. That is the kind of situation where having access to this service, if you were farther afield than Fallon, would be very important. We hope you support the bill.

Chip Stone, Councilman, City of Elko:

I just want to echo all the comments that have been made. As you can tell, Elko is very much in support of this to help our economic growth and continue to grow. The good people of the City of Elko would love to see this happen [page 4, ([Exhibit G](#))].

Paul Young, representing Nevada Mining Association:

We are here today in support of A.B. 242. We have submitted a letter online [page 5, ([Exhibit G](#))]. With that being said, in the interest of time, "me too."

Assemblyman John Ellison, Assembly District No. 33:

I am here in support of A.B. 242. The City Manager and the past and present mayors, Chris Johnson and Reece Keener, hit it right on the head. It is not about the airplane being full and used all the time. It is about their changing the model, and they are totally correct. Right now I am getting calls continuously from senior citizens who cannot get to the doctor or try to get here to visit their children. The mining associations, Barrick and Newmont, have really had a problem with banking. Trying to get our doctors back and forth is a problem. My dentist has to travel back and forth.

It takes me five hours on a clear day to drive from here to Elko, and then I have to leave Sunday night and drive back. That goes to show you the distance. If the roads are not clear, I might get home at 2 or 3 in the morning because the roads are so bad going over both the passes. If I want to go to Las Vegas from Elko, it takes me eight hours. If I take every dirt road and back road, I can usually get it down to six and a half to seven hours with a few tickets on the way.

This airline is so important to Elko. Right now they have the new jet and have reduced how many flights they have, and they are always packed. I had been bumped and had to wait until the next flight. That plane is continuously full, and this one from Elko to Reno and to Las Vegas will be full all the time. Elko's airport is beautiful. They have a beautiful facility and some of the best runways out there. I wish you would take into consideration Elko's request. This is really well-needed.

Janine Hansen, State President, Nevada Families for Freedom:

I am a resident of Elko. I moved to Elko 13 years ago. When I lived in Sparks, it took me 10 minutes to get to the airport. Now the only place I can go from Elko is to Salt Lake City. It is very difficult. Most of my friends, including myself, have doctors outside of Elko. I have a doctor in Reno. I have daughters in Reno. I have brothers in Las Vegas. It is very difficult. My husband told me the other day that now the Greyhound bus does not even stop in Elko anymore. All we have is Amtrak, which is always late. I probably have put hundreds of thousands of miles on my car since I moved there. My situation is similar to Assemblyman Ellison's, although I am not going to admit to speeding. It would be a real blessing for all of us who are there because there are many reasons we need to go to Reno, many reasons we need to go to Las Vegas, as well as all the economic advantages that you have heard. The needs of the people in the rural communities would be greatly enhanced by having access. When I first moved there, they did have a flight to Las Vegas. Years ago United Airlines used to fly from Reno to Elko, to Ely, and to Salt Lake City, and that was stopped too. I took that flight before I moved to Elko. This would be a real blessing for all of us who live there, and those in the areas around Elko, not just Elko, but those who are close.

Chair Neal:

Is there anyone else who would like to testify in support of A.B. 242? [There was no one.] We will move to those who would like to testify in opposition to A.B. 242. [There was no one.] I will take testimony from those who are neutral on A.B. 242.

Derek Armstrong, Deputy Director, Southern Nevada, Office of Economic Development, Office of the Governor:

We are testifying in neutral today. We will hopefully be supportive in the future. I want to thank the bill sponsor for bringing the bill. Our office definitely sees the potential for many beneficial outcomes for this bill, as we believe this could be the precursor for increased economic development in the rural areas, including some of those who testified today. Personally, I am attending a wedding in Elko this spring and I am flying to Salt Lake City and driving to Elko from there, so I definitely see some personal benefit for that.

Chair Neal:

Is there anyone else wishing to testify as neutral on A.B. 242? [There was no one.] Are there any closing remarks on A.B. 242?

Matthew Walker:

I want to thank you and your Committee for a thoughtful and deliberative hearing. We certainly think that it is a meritorious idea, that the policy of the state be that all cultural and economic centers are connected by air service. We appreciate the thoughtful questions. We look forward to returning to continue the conversation.

Chair Neal:

I will close the hearing on A.B. 242 and open the hearing on Assembly Bill 244. I would like Assemblyman Kramer to come to the table.

Assembly Bill 244: Allows the imposition of certain taxes in a county to fund capital projects of the school district based on the recommendations of a Public Schools Overcrowding and Repair Needs Committee and voter approval. (BDR S-1008)

Assemblyman Al Kramer, Assembly District No. 40:

This has been a work in progress. Assembly Bill 244 gives the ability for Carson City to impose a tax to be suggested by the school district for facility uses in Carson City. You just received a conceptual amendment ([Exhibit I](#)) that addresses five issues. This bill originated as the Washoe County facilities tax [Senate Bill 411 of the 78th Session]. The conceptual amendment changes five items on that.

Carson City essentially has no way of raising funds for school districts. All the other counties either have had it, have taken advantage of it, or have a way to raise that revenue, but Carson City does not.

The first amendment would say if you are a school district in a county that is not authorized to impose a residential construction tax, or if you did not take advantage of this ability last time around, or if you are not doing property transfer tax or room tax for their schools, then you can do this, and Carson City is basically the only county there. This was designed to see where the problem is and what problem we are trying to address.

The bill, as written, imposed a rather lengthy committee. We feel the school board has the ability to bring in any qualified person they want to help them design what kind of tax they want, so we eliminated the requirement for a committee.

The bill also said that the county would be required to take any proposal and put it on a ballot. What we are saying is this goes to the county commissioners—so in Carson City's case, it would be the Board of Supervisors—for them to agree to put it on there. They can, but they do not have to.

It requires that an expiration date on any tax be specified, and it eliminates the specific definition of different taxes that are out there and leaves it up to the school board to choose among the taxes that are already out there for Carson City to bring them forward.

I was treasurer for Carson City for 20 years, and I watched the tax rate for the school district facilities go from 75 cents per \$100 assess valuation to 43 cents. During that time, they paid their bonds down. They did not need the money to repay bonds. They kept up with the needs that were there. When they went down from 75 to 43 cents, the City of Carson City went up to take care of most of that match. There is still a little bit of a difference there. The way the tax cap works, even if you took advantage of that, it does not raise any money, so the Carson City School District in a sense got punished for doing a good job. Now they want the opportunity to take their needs to the people, explain that they did a good job, were good stewards of the money they had, and see if they can get the public to agree to a tax increase for the school facilities. Carson City has not had a school built since the early 1990s. Our population has not grown tremendously, but it has still grown to the point that we are in need of another school. You just do not build a school with nickels and dimes. It is going to take a good \$30 million.

So there is a need. The request was given to me for a chance to put it on the ballot and then sell this to the voters of Carson City, and that is what this bill is about. Superintendent Richard Stokes and the Carson City School District Director of Fiscal Services Andrew Feuling are here to answer any questions.

Richard Stokes, Superintendent, Carson City School District:

I have a brief statement I would like to share. Mr. Feuling, our chief financial officer, and I appreciate this opportunity to be in front of you. Like other districts in Nevada, the Carson City School District struggles to meet the needs of our students when it comes to providing quality educational facilities; facilities that are safe, dry, warm, efficient, functional, and of appropriate size to hold our student body. This struggle seems to come from a simple lack of resource options.

The Carson City School District has few options to obtain capital project resources, which is the reason we are here today. Historically, the Carson City community has been very supportive of the needs of the school district, and has exercised their vote also in opposition to projects they believed were not in the best interest of the community.

Between 1988 and 1992, voters approved of the district's construction of three elementary schools at about \$4 million each. At a later date, the voters turned down plans to build a second high school in our community. Rollover bond authority was granted by our voters in 2010 to complete additions and improvements around the district. As a part of that process, the district also reduced its debt service levy by 4 cents, cementing a reputation as an entity that uses taxpayer dollars responsibly. As a result, we value the public's input and have confidence in the voice of the people.

Now, with few funding options and the tax cap, we are unable to commence construction to meet district needs as we did in 1992. At best we would be able to build a partial elementary school, but that would be "all in," and no other major maintenance could take place in the district, nor could any project begin to increase capacity at other grade levels.

With residential and enrollment growth now coming to Carson City, school capacities are being tested. Under current funding availability, providing adequate facilities to accommodate enrollment growth is extremely difficult due to escalating construction costs. We are currently adding seven classrooms to two elementary schools at a staggering cost of \$5 million each. Four years ago, our neighboring Washoe County School District estimated the cost of a new high school, not including land, to be about \$100 million. Now, based on a recent article in the *Reno Gazette-Journal*, that number is closer to \$190 million. New elementary schools are costing upwards of \$40 million, not including the land. The Construction Cost Index has shown local costs increasing 1.5 to 2.5 percent per month, which is normally the rate of inflation we see over an entire year. These kinds of dollar amounts and increasing costs are especially worrisome as they have been ongoing for the past three years and show no sign of slowing.

Maintenance of our current facilities is now an ongoing concern due to increasing costs. While we are able to pay for some maintenance out of our general fund, the stresses placed upon that source are immense. While increases to the Nevada K-12 [Kindergarten through Grade 12] per-pupil guarantee were compounding close to 9 percent during the decades of the 1970s and 1980s, they dropped to around 3 percent in the 1990s and 2000s, and in our current decade we are seeing that compounding close to being only 1.4 percent. With all the typical obligations associated with that particular funding stream, and construction costs increasing in one month more than we saw previously in annual revenues, our current ability to fund maintenance and new construction costs has severely diminished in the past 50 years.

With the stresses of growth, our district will need to create more capacity at the elementary, middle, and high school level in the near future. We have been fortunate to have significant community involvement in our Facilities Master Plan Committee and our Bond Oversight Committee to guide our capital and major maintenance projects to assure that our actions are

in line with the community's desires, so voter approval is nothing new to our process. The opportunity that A.B. 244 presents is to allow our community to truly control and determine the future of school facilities in Carson City. Schools are central to the community and provide our community's children that safe, dry, efficient, warm, and functional environment we want for them. We ask that you support A.B. 244 to give our community the opportunity to plan for our educational future.

Chair Neal:

Members, do you have any questions on the amendment to A.B. 244?

Assemblywoman Benitez-Thompson:

I am interested in the change you are looking to make in the amendment to section 1, about removing the committee and just making it the school board. Having served on that committee in Washoe County, and one of the things I thought was really purposeful about that composition of a committee was that you had business members there, you had members of the public there, and you really had a chance for the committee to collaborate in what those needs were. It also gave us a chance for those who were skeptical of the needs to the school district, or felt that there might be too much overspending, to pose questions and do some research on those numbers. Some folks who came to that committee were very skeptical and started off in a position where they would not support the ballot measure or more tax dollars going to the schools, but through those meetings and those conversations I think it was a unanimous vote, or close to it, to say absolutely the need is there, absolutely we feel compelled as a community to go out and champion the needs of our schools. That is more of a reflection, having worked through that process before.

Your school board is always going to advocate for schools. They are always going to talk about the needs for schools. I think when you make that circle larger, you get invested people from the community serving on such a board from the beginning. The dynamics you have in Carson City might be different than what we were looking at in Washoe County.

Assemblyman Kramer:

There is a lot of merit to what you said; however, there is nothing that prohibits the school district from inviting virtually anyone from being on that committee, including having volunteers come and sign up for the committee as they go along. I am sure reaching out to the community, and different groups in the community, will be part of the plan. The issue in my mind was that this is a bill that is going to the voters, and having a committee that is perceived to be pro-spending money on a school bond presenting this, in a sense has a negative effect as well. Having it as a citizens group that comes into the school district, that proposes this to the school district, for them to propose to the county commissioners, has a way of leveling this and perhaps being seen more as citizens talking than a planned group that is going to get together with an already predisposed answer. I would also like Superintendent Stokes to comment.

Richard Stokes:

We have several processes currently in place where we take advantage of the knowledge, skills, and abilities of our local realtors, politicians, builders, and citizens who are interested. Many of the folks who are on these committees now are alumni. We value their input and we would continue to seek that as part of our efforts. I really appreciate your comments.

Assemblywoman Benitez-Thompson:

Would it be the school district that would do the work to determine what the proposed rate would be?

Richard Stokes:

I see the school district as the staff gathering the information and presenting that information, not only to the trustees but also to our Bond Oversight Committee—that group of citizens who would come forward and support us in the campaign should it get off the ground.

Chair Neal:

Not to belabor the point, but I see where you are going in regard to established citizens or members whom you are familiar with. What I am trying to ensure is how do you get the alternative viewpoint into the conversation? If those people are not already made up of your advisory group—your go-to group—how do we make sure the diversity of thought is represented? I know specifically in my community there are certain people who do not hang around in certain groups, so when they are excluded it is a problem. They end up being more of an issue because of the exclusion rather than just including them in the dialogue, so you can just work through the issues. If you agree to disagree, then at least we are all at the table, walking through what the prescribed taxes are that we are saying individuals will vote on. I think sometimes, as much as we do not want conflict, when it comes to taxes it brings conflict.

Richard Stokes:

That was very well said. We are fortunate in Carson City. We are a small community. The one common denominator is the well-being of our students. We enjoy a great relationship with our community members, and we have ways with not only having a local newspaper but also having a well-established Parent-Teacher Organization, and through other connections with our community we would invite anyone who had the interest to come and be part of this. We would certainly value their input. We have always operated that way in the 18 years I have been in Carson City, not only as the superintendent now, but those who have preceded me. We have always tried to work in a very collaborative fashion, knowing that without the support of the folks, we are not going to pass the school bond or the bond issue on the general election.

Chair Neal:

Members, do you have any questions on the amendment? [There were none.] In section 3 of your proposed amendment ([Exhibit I](#)), where it says the board is authorized but not required to place it on the ballot at the next election as a question, when I first read it I was thinking,

Does that mean you can just make the decision, or does it mean that the decision dies in the committee or the advisory group—meaning it just does not go forward and that is why it will not be placed on the ballot?

Assemblyman Kramer:

The intent was to put a recommendation from the school board in the laps of the county commissioners, in our case the Board of Supervisors, for a second decision from that point. Recognizing that if the Board of Supervisors was against it, it probably will not pass at the ballot anyway. The idea was it is really not an extra step. It would almost be a required step.

Chair Neal:

In section 5 of your proposed amendment ([Exhibit I](#)), I am looking at the last sentence where it says, the "recommendation for an increase in sales and use taxes in the county or any tax imposed." Do you actually have taxes you are envisioning? I know you want to ensure you have a list, but do you have any specific taxes you are thinking about?

Assemblyman Kramer:

I will answer this, but I may defer to the finance director if he wants to add something to it. I would say it really comes down to two specific taxes. One would most likely be property tax—that would be outside the cap—or potentially a sales tax add-on. The reason I say that is the other taxes for Carson City really would not raise enough money to make much of a difference.

Chair Neal:

I will just make one final comment. Even though it is broad in the language in what you mentioned as far as property tax and sales tax, I am going to strongly advise that you reflect upon diversity or bringing the committee back so you can have confidence in the process you engage in. If individuals feel excluded, I think you are starting at a point of no-go.

Assemblyman Kramer:

I do not understand it. If what is not included?

Chair Neal:

I think you should amend the committee back into the bill, or at least figure out how your advisory group will be inclusive to members. If it is not going to be prescribed by statute in your amendment in section 2, I think you should lean toward either having a committee or ensuring that individuals feel they are going to be included in this process by some way of a sentence or language.

Assemblyman Kramer:

One of the suggestions given to me was to include a specific outreach to the civic organizations, the political parties, in the newspaper—in other words, a specific outreach—and not dictate a specific number of people on the committee but to make it open. That would answer part of your questions. Perhaps that would be sufficient.

Chair Neal:

I am thinking about your psychological well-being if this were to move and you start talking about property tax and individuals are not present; what that means and what that looks like. You live up here and I think you understand what that dynamic means. That is my advice. You do not have to take it. I am just telling you it might be a wise move to consider putting some kind of language back in the bill that represents there will be outreach or something that engages to that point. You have to ensure people understand they are not excluded from this process, because they are directly involved with this process if you are potentially putting property tax or some other taxes into the conversation.

Assemblyman Kramer:

Thank you, Madam Chair. That is a good suggestion.

Chair Neal:

I will now take testimony from those in support of A.B. 244. [There was none.] Is there anyone who would like to testify in opposition to A.B. 244? I will start in Las Vegas.

Patti Jesinoski, Private Citizen, Henderson, Nevada:

In regard to A.B. 244, I approve a lot of what the bill is, but in section 3, subsection 4, where it is talking about the imposition of tax on gross receipts, this has been a problem for small businesses here in Henderson. Too often the nonbusiness owners are not well-versed between the words "gross sales" and "net sales." It should be based on net sales, so that the owners are able to pay their payroll, their merchandise, their rent, their overhead, and hopefully themselves before they get down to what their actual profit for that period would have been. I think looking at this as gross sales rather than net sales, and as far as the proposed rates, allowing just the school board to make the suggestions for taxes, I tend to agree with you, Madam Chair. There needs to be more input from the community ([Exhibit J](#)).

Chair Neal:

I appreciate your comments from Henderson. I want to ensure you know the amendment Assemblyman Kramer is proposing ([Exhibit I](#)) narrows the bill. When the bill first came out, it affected multiple entities, but now it is just Carson City.

Natha C. Anderson, President, Washoe Education Association; and representing Nevada State Education Association:

We completely agree with the majority of this bill. We think it is a great idea to have the community be involved in how exactly to help build as many schools as we can for our students. However, the amendment to take out the group is of concern, and I am now speaking from personal experience. Coming from Washoe County, I was involved in the 2016 WC-1 ballot question campaign. I was not part of the committee that Assemblywoman Benitez-Thompson was on; however, I observed those long meetings. One thing that happened with our campaign was because of those meetings we had already figured out some of the issues community members would have. We had already figured out how to have as many voices in the room as possible. There were many different political views, many

different career choices, many different socioeconomic choices, and many other elements that actually provided the strongest question for us to bring forward as a community. That is what we want to have.

Again, the majority of this bill makes sense as it was originally presented, but taking out that committee is a huge concern. If that were back in the bill, I am sure we would be able to change this to support very easily.

[Assemblywoman Spiegel assumed the Chair.]

Janine Hansen, State President, Nevada Families for Freedom:

We were particularly concerned with the first bill. We had numerous problems with it, including the committee. Although it appeared to be diverse, there was no one representing the points of view that we might be interested in. It was a very narrow, one-sided committee as far as we were concerned. Our greatest concern was they would be submitting this to the ballot and they are unelected and unaccountable. We really like Assemblyman Kramer's amendment and approve of it much more so than the original bill. One of the things we like the most is it will be an elected body that will be sending this to the ballot, and we really appreciate that about it. I am not going to speak in favor of it because it is for Carson City, and I cannot make that decision, but I did want Assemblyman Kramer to know we really appreciate the amendment and the changes that were made. When I first checked, and I got a secondhand answer from the Taxation Committee, it did include all counties except Clark, and also a possible increase of five different taxes. We appreciate the changes that have been made, especially that it will be put forward by an elected board that can be held accountable, and that people will have the opportunity to vote. I came up here to make sure it only applies to Carson City. I just want that on the record.

Vice Chair Spiegel:

Should we then have your comments as neutral?

Janine Hansen:

I will clarify. We oppose the original bill. We think the amendment is far better, but we are not supporting it.

[Assemblywoman Neal reassumed the Chair.]

Barbara Jones, Private Citizen, Reno, Nevada:

I would echo agreement on the amendment. It certainly solves some problems. I am a Washoe County taxpayer. We have family with businesses in Carson City. I grew up here. We have homes in Carson City. As a taxpayer, I was very much against WC-1 and an effort to spread it to other counties. In the language here, it is still not clear to me, but if it is just for Carson City, that is better. I just heard testimony yesterday from a knowledgeable person in Reno that WC-1 has been a disaster in Washoe County the last two years. I am a taxpayer.

I have not voted on any new taxes for the schools. I have been very disturbed in the direction the schools have been going and the way they have been spending the money. I am an ex-school teacher. I have taught in Carson City and Reno.

My other concern as a taxpayer is, I am about taxed out of Washoe County. I come to Carson City to shop. Maybe I will have to go elsewhere now. I am very concerned about the statements that there are no limits, it can go over the cap—there is not a limit on what can be decided for the schools. Someone mentioned doubling of the costs for the schools in Reno, and now they do not have money for the teachers. They can raise their own taxes. I am still against it, even though I support the amendment if you are going to do it, but it is still very confusing and not clear enough. It is going to hurt the taxpayers, and that is me.

Chair Neal:

Is there anyone else to speak in opposition of A.B. 244? [There was no one.] Is there anyone signed in as neutral on the bill? [There was no one.] Assemblyman Kramer, please come back to the table for closing remarks.

Assemblyman Kramer:

We shall huddle and come up with putting the committee back in, perhaps not in the original form but in an outreach form that will be inclusive of the different diversity of Carson City.

Chair Neal:

I will close the hearing on A.B. 244 and open the hearing on Assembly Bill 388.

Assembly Bill 388: Revises provisions governing property taxes imposed on certain heavy equipment. (BDR 32-973)

Assemblyman Glen Leavitt, Assembly District No. 23:

I am pleased to present Assembly Bill 388 for your consideration. I realize there is a lot of tiredness in this room right now, so we will try to be as brief as we can. The issue before you today is about tax fairness in business settings. It is a complicated matter, as most things are that come to this Committee as I have witnessed by the first two bills heard today.

We have a scenario where industries that are doing essentially the same thing are being taxed and treated differently. This is a unique and ever-changing industry. There are close to 20 states that have addressed this inequity by defining the property as inventory or a special class of property.

National policy organizations, including the National Conference of State Legislatures, and state and local taxation committees have addressed this issue in policy resolutions. I am pleased that the interested parties, in accordance with this bill, have been engaged in dialogue. Nevada's county assessors met with Mr. Noonan of United Rentals this morning. I attended a portion of that meeting, along with other members of the industry who are

working at a broader concept to address the issues that they brought up. Madam Chair, I am asking the interested parties on both sides to continue to work together to come to a solution that is acceptable for this Committee.

With me today is Chris Ferrari, representing American Rental Association; Ed Noonan of United Rentals; and Jenny Phillips from Ahern Rentals in Las Vegas. With your indulgence, I will ask these parties to walk you through the bill and answer any questions.

Chris Ferrari, representing American Rental Association:

The American Rental Association is the international trade association for owners of equipment rental operations and manufacturers and suppliers of rental equipment. The current membership includes more than 10,000 rental operations and more than 1,000 manufacturers and suppliers.

As Mr. Leavitt indicated, what we are trying to do is remedy an inconsistency in taxation. Mr. Noonan and Ms. Phillips will speak to this far more eloquently and technically than I will be able to, but from my layperson overview, if I am the rental company and I am renting a piece of heavy equipment—a crane—each time someone rents that crane, sales tax is being paid on that rental. For example purposes, and in my opinion, this is the glaring inequity, as we have our fiscal year from July 1 and I rent this on July 2, and even if this piece of equipment is taken out of state and does not see Nevada again for a period of a year, as the renter I am still going to pay one year's worth of property tax on that. So things are treated differently. Inventory is not subject to personal property tax. They are treated unfairly in this manner in paying that property tax. There is also sales tax paid on the item when it is sold, and we are trying to come up with a creative way to do this and get it figured out.

As Mr. Leavitt indicated, it has been looked at in 20 other states, in varying policy at national levels as well. We also want to thank the folks from the assessor's office, and Mr. Ortiz has been great in connecting us with folks along the way to have conversations. Mr. Noonan, in from North Carolina, was able to sit with those folks for about two hours this morning and have a very detailed conversation. Our objective is to find some sort of middle ground to remedy this challenge.

Edward W. Noonan, Director of Government Affairs, United Rentals:

We have six locations here in Nevada, and I am here today on behalf of my company to urge your support of this bill. Assembly Bill 388 simply provides a property tax clarification for certain heavy equipment and rental inventory. State personal property tax policies assume that personal property subject to tax will typically be used in one location for more than one tax year. If you think about machinery and equipment in a manufacturing environment, assessing and taxing that property to the owner of that equipment at the place where that equipment was in place on the assessment date makes a lot of sense. However, this policy never envisioned the world we live in today, where rental fleets are mobile, moving from job site to job site, tax jurisdiction to tax jurisdiction, and state to state—rented and sold in the regular course of business. For many in this industry, this equipment is truly moving in

interstate commerce. We are unique. I would like to say that this industry was really one of the first to engage in what we know today as the shared economy. Our rental fleet has all the characteristics of inventory. We purchase the heavy equipment property for resale, just like other retailers in the state, and under the sales tax statutes we are treated similarly to retailers. However, today, for property tax purposes, our rental fleet is not defined as inventory. All of our equipment we purchase is sold to new customers or sold at a later date after being rented for a period of time. However, for personal property tax purposes, equipment rental companies are subject to personal property taxes, but retailers are not. We both purchase equipment that is ultimately sold. The only difference is timing.

Heavy equipment and rental property are extremely mobile and transient. The property tax in the state is imposed on equipment rental property because it happens to be sitting in a tax jurisdiction on July 1, which is the lien date. The property is taxed as if it were stationary and charged for a whole year's worth of tax, even though that property may be sold and moved out of state during the calendar year. There is no proration of that tax for that piece of equipment that is only there for a few months. I would hope you agree that this is bad tax policy.

National policy organizations, including the Task Force on State and Local Taxation of the National Conference of State Legislatures, have adopted policy statements regarding the expansion of the definition of inventory to consider heavy equipment rental property. They also urge states to consider reforms for industry with mobile property such as heavy equipment rental property.

It has already been said that about 20 states now define this as inventory or a special class of property. This is not unique here. This also includes California and Oregon which passed legislation recently to address this issue. Assembly Bill 388 has been vetted with various stakeholders, and we understand this is a complex issue. We did vet this with the Nevada Assessors' Association. We appreciate their time and commitment to try to find a solution to this problem. The industry looks forward to working with them in the future. We will continue to work with them to see if those concerns can be alleviated. I appreciate your time and consideration. I am happy to answer any questions you may have.

Assemblyman Edwards:

As our economy grows, we have more business activity and a lot more construction. I can see where your vehicles and equipment would be used a lot more. I am wondering if at some point, if another company did want to come here, with this bill would it clarify things for them and help them to move here in order to diversify our economy and help us to grow?

Ed Noonan:

I can give you my opinion. I think that is a consideration. I think most businesses are looking for certainty. The way the environment is today, here in the state, it does not create that certainty for this industry. By addressing this, you put that certainty to rest or provide that certainty, and that gives people an incentive to want to come in and grow in this state—bringing more equipment and jobs into the state.

Assemblywoman Spiegel:

In section 1, subsection 1, paragraph (l), lines 30 through 32, where it is talking about whether the property is being rented or leased by a person other than the owner of the equipment, and whether the property is subsequently sold by the owner: If someone were to have two corporations and corporation one purchases the equipment, gets the sales tax exemption, and then subsequently rents that equipment to corporation two, it technically is not the owner who is renting it to themselves. It seems that this is written in a way that would provide a loophole so there would not be taxes collected.

Ed Noonan:

That is something that we did address today. That is something that should be one of the considerations we want to propose going forward, to tighten that up. I agree with you; as it is written now, there is some ambiguity to that.

Chair Neal:

Members, do you have any additional questions? [There were none.] I know this was an issue we discussed but it is still present, which is on lines 31 and 32; the sentence that says that if it is "leased by a person other than the owner of the equipment and whether or not the property is subsequently sold by the owner." This is something I know we discussed and went round and round about. That clearly is struck out because we know that once it changes hands and once it changes use, it is taxable period. So we know going forward that lines 31 and 32 will be amended, which is why I was asking if there were some amendments on the bill. I wanted to point that out, if you did not recognize it, because that cannot stay. I think what needs to happen is changing how the "or" statements are written. I am anxious to hear what the assessors have to say because they are signed in to speak today. I just wanted to bring that up because I think that got bypassed in the conversations or when the bill came out. I wanted to bring your attention to it.

Chris Ferrari:

In working with your staff and legal counsel, I believe Mr. Fernley was able to clarify, or sanctify, some of the concerns you had expressed in previous meetings, and he provided a statement on that. I do not know if you would like that for the record or if we would address that at a later time.

Chair Neal:

We will address that at a later time because I did read his statement. The way it is written is if it is sold, it is not taxable, and that cannot be the case because the use of a brand new person is determined by how they use it. We do not prescribe that you will use it the same exact way and keep it exempt, and then it is just the tacking that goes on for lineage for ten people. It just does not occur that way. I think that was just missed and it needs to be struck out.

Assemblywoman Benitez-Thompson:

In conversations we had about the bill, there were questions about being able to quantify what this impact would look like—whether we are talking about a couple hundred thousand dollars that would no longer be coming onto our sheets, as we say in the state, or if we are talking about a couple million dollars.

For me it was important that we would be able to quantify the type of impact because if we are no longer collecting those revenues, then on the opposite end we have to ensure that we are no longer planning to spend those revenues.

Chris Ferrari:

I think the assessors will address that in a bit. I believe it is kind of a shifting number, depending on how it is quantified. I was just speaking with Ms. Gianoli and I think what the intent would be for the group is to reconvene and try to get that to a better place where it is a little more accurate for your consideration.

Assemblyman Kramer:

I know this is not an exact parallel, but if I were Xerox and was leasing Xerox machines, if I sold a Xerox machine there would be sales tax collected and the buyer would pay personal property tax on that machine, presuming it was a business. If I leased the Xerox machine for a year then take it back in my store, then I, as the owner of the machine, would pay the personal property tax and the lessor would be paying the personal property tax. But if I leased that machine to you with the idea that at the end of the two-year period you would own it, then you would be paying the personal property tax on it.

You are talking about a heavy piece of equipment. You are renting it out; there is no intent to sell it to the person. So in the same parallel, it seems as though you would be paying the personal property tax on it and it really does not matter where the machine is located. If I own an airplane and have a fixed-based operation and I locate that airplane in Carson City, the personal property taxes for that airplane are going to be paid in Carson City even if you park it in Idaho for the whole year.

I am seeing these parallels, and to me that tells me that the property taxes in a sense, for those two examples, are somewhat parallel, and personal property tax is paid on those. Convince me that you should not be paying the personal property tax, and why your example is significantly different than those.

Ed Noonan:

We do not lease, so I really cannot address the leasing part of that. My understanding is that if you lease a vehicle or a piece of equipment as in your example, you are taking rights of ownership to that. Typically those costs are borne by the person using that piece of equipment, or that vehicle, if you will. It is a little bit different.

I think what we are really talking about here is the policy and the tax treatment of that. From our perspective, we rent equipment and we sell equipment. A retailer sells that same equipment, we should be treated the same, and if we are not, I guess maybe then you would look at the sales tax and say should the sales tax be changed because from a sales tax perspective we look at everything the same as a sale, whether it is leased, whether it is rented, whether it is sold. We are all resellers. I am not sure I answered your question to your satisfaction. I would be happy to get some more information on it and get back with you.

Chris Ferrari:

As we contemplate the tax policy of this, which I think is really what it is, there is going to be an impact to revenue. I have worked on issues similar to this over the past couple of decades and just because something has been done in a certain manner for an extended period of time does not mean it is the correct way. It is a discriminatory tax policy we are trying to remedy, so again, we are going to work with all the interested parties. We appreciate your consideration.

Chair Neal:

Members, do you have any additional questions? [There were none.] I will ask those in support of A.B. 388 to come to the table. We will go to Las Vegas first.

Jenny Phillips, Director of Tax, Ahern Rentals:

I mirror most of the statements that were already put on the record by Mr. Noonan and Mr. Ferrari. The statement I was going to make was that for gross receipts tax purposes in Nevada, we are considered and defined as a retailer and we are considered to sell, same as anybody else. Sale is defined to include, without question, lease or rental. We are just looking to solve that inequality. We are in support of A.B. 388.

Chair Neal:

Members, do you have any questions? [There were none.] We will come up to Carson City.

Jaron S. Hildebrand, Manager, Government Affairs, Nevada Trucking Association:

For comments previously stated, we are in support of the bill.

Chair Neal:

Is there anyone else speaking in support of the bill? [There was no one.] I will now take testimony from those who are speaking in opposition to A.B. 388.

Jana Seddon, Assessor, Storey County; and President, Nevada Assessors' Association:

I am here today with my constituents—Chris Sarman, legislative committee member from Washoe County; Burton Hilton, assessor from White Pine County; and Jeff Johnson, Humboldt County Assessor. In Las Vegas we have Doug Scott and Briana Johnson, Clark County Assessor. I would like to thank you for the opportunity to come forward and express our concerns regarding A.B. 388.

First off, as I believe the Chair has already addressed, the language in this bill is very broad and very vague, such as, what is the definition of heavy equipment? Is that going to be left up to the assessors to argue with these businesses as to what is heavy equipment? There is absolutely no definition. It is very broad. Also, industrial purposes—what is the meaning of industrial purposes? There are two vast differences between construction and earth moving and industrial purposes. Also, ancillary equipment and tools. When I think of tools, my mind goes everywhere. If you walk down an aisle at Home Depot, there are lots and lots of tools.

One of the issues we discussed this morning was that they have an issue with the selling of these large pieces of equipment when they want to talk about sales, as opposed to rental, but not tools that they could be exempting. These tools may or may not go with these pieces of equipment that get sold. It is so broad. It is so vast. I am assuming the ancillary equipment are pieces of equipment that go to different things. They could be sold with a bunch of different things or not sold at all and always be in the rental capacity.

It is our belief that there will be a significant negative fiscal impact to all counties within the state of Nevada, especially the mining counties. As I discussed previously, it is a broad range and based on the wording in this bill, we do not know what this is actually going to include. Storey County is one of the smallest counties in Nevada. These are very raw numbers, but for Storey County for the 2017 to 2018 tax year, we are looking at approximately \$509,000, and for the 2018 to 2019 tax year, it is about \$261,000. Now that is for a very small county. I am pretty sure you are going to hear testimony from my other constituents as to a much greater impact to their county.

We are talking about a fiscal impact to our fire, our police, and to our schools. Most important, we feel this bill is in violation of Article 10 of the *Nevada Constitution*—uniform and equal rate of assessment. The way this bill is written, a rental company has the exact same equipment as a small business or a medium-sized construction business that has owned their equipment—they purchased the equipment and own it—that business is going to have to pay taxes based on this equipment. However, the rental company that is renting this piece of equipment and making money off this equipment for their business is going to be tax-exempt through this bill. How is that uniform and equal rate of assessment? I am pretty sure that at the end of the day, this rental company is making a profit off the rental and then they are going to turn around and also sell it.

They have talked about sales tax. They do not pay the sales tax if they sell this piece of equipment. In the end the buyer pays the sales tax. So what we are looking at is that they are now not paying sales tax, except for when they purchase the equipment. When they sell it, they do not pay the tax. They do not pay the rental tax, and now they are not wanting to pay business personal property tax.

We would like to thank the sponsors of this bill for meeting with us this morning and discussing our concerns, taking into consideration the issues we have. I will turn it over to Chris Sarman.

Chris S. Sarman, Legislative Committee, Nevada Assessors' Association:

In summary, the scope is broad. The definitions are really undefined—much of the language in this edition of this bill—and of course the fiscal impact. We have not had enough time to do an analysis we could present to you that would be considered accurate. But in just looking at raw data, taking a brief preliminary look at it and running a query based on terms defined as heavy equipment—like a loader or backhoe—we came up with roughly 5,000 accounts that came to a total assessed value of nearly \$41 million. When we look at that in taxes, we are looking at \$1.5 million. Again, I want to reiterate that this is very raw and very preliminary data. That is also including equipment that is being leased and equipment that is owned, so we have not broken that down. As the bill reads, we believe it is exempting all equipment. We have met with Mr. Noonan and the bill sponsor. I know they have talked about and discussed putting together some language to better define what that is. We will see, but at this point in time we do oppose this bill.

Burton Hilton, Assessor, White Pine County:

White Pine County in Nevada may be large geographically, but we have a very small tax base largely because the federal government controls 96 percent of the land in the county. This bill would have a significant impact on all government entities that receive ad valorem taxes—primarily the county, the schools, and the hospital. It represents 2 to 3 percent of all property taxes—real and personal combined in White Pine County. This would be approximately \$200,000 to \$300,000. Losing this would mean decreased services—especially in police and fire. We have three to four deputies to patrol 8,800 square miles on any given shift, and we would be looking at probably losing one of those on each shift.

We are very dependent on mining and mining contractors who are big users of this equipment. Every one of us thinks we are unique. This includes all industries. I understand why carving out one entity should be done. The inventory argument does not make sense to me. I could just be a hick from the sticks, but if it is rented out and income is derived from it before it is sold at a depreciated price, why should property taxes not be paid on it in the meantime? I feel that carving out exceptions goes against Article 10 of the *Nevada Constitution*. In echoing some of the members of the Committee, I think you are going to see an explosion of "rental companies" should this legislation move forward as proposed.

Jeff Johnson, Assessor, Humboldt County:

I am mostly representing the mining counties in response to this bill, in opposition, and I ditto everything everyone has said, so I will keep my comments very brief. I think Assemblyman Kramer put it very well when he referenced the copy machines versus renting heavy equipment. I think the same can be said for the mining industry. The mines own their equipment—they buy it. They are going to pay tax on it because they use it in a business, and yet someone could then rent that equipment and still not pay those taxes on it. That does not seem fair and equitable to me.

Chair Neal:

Members, do you have any questions? [There were none.] We will go to Las Vegas now.

Briana Johnson, Assessor, Clark County:

I ditto what the other assessors and Chris Sarman of the Nevada Assessors' Association had to say. I do want to let you all know the impact on Clark County, with the number of businesses we have that rent this type of equipment, taking into consideration these are raw numbers. Based on the new statute, it could be approximately \$2 billion.

Doug Scott, Assistant Director, Assessor's Office, Clark County; and Member, Nevada Assessors' Association:

This bill claims that it is putting rental and retail construction equipment companies on the same footing, but in reality that is not true. Rental equipment, like capital equipment, is purchased and placed in service for the purpose of generating income from the investment in the equipment. The fact that rental equipment could be sold at any given time does not justify exempting it from tax, as you could make the exact same case for capital equipment.

Currently both rental and capital equipment are subject to tax. Retail inventory, which is exempt from tax, is purchased for the sole purpose of reselling it to earn a one-time profit. No other income is generated from retail inventory. So there is a clear difference between rental inventory and retail inventory. Businesses that do both—sell and rent equipment—only pay taxes on what they rent. Inventory held for resale, of course, is tax-exempt. The same holds true for retail-only businesses. So rental companies and retailers are on a level playing field in terms of tax treatment.

As what was pointed out earlier by some of the assessors, the proposed bill creates an inequity. Now, heavy equipment in service with the intent of generating income is not taxed the same depending on whether it is owned or it is rented. What I heard earlier is absolutely true. If this bill remains as written, any company that owns construction equipment will just create a rental company and lease the property to themselves, thereby escaping the personal property tax on this type of equipment.

We have identified some potential loopholes and unintended consequences that could happen as a result of this bill. We believe that it advocates inequitable treatment of similarly situated property in possession under different circumstances. Those are our concerns with the bill.

Chair Neal:

Ms. Johnson, could you clarify something for the record? In the number you stated, was that assessed value or was that the amount of the taxes?

Briana Johnson:

That was tax dollars. So taxable value we have estimated, based on this new statute, is about \$195 million in taxable value.

Chair Neal:

Did you look up how many accounts you have related to heavy equipment?

Briana Johnson:

I have it on a spreadsheet, but I do not have those numbers with me. We do have 13 companies here in Clark County. For example, Ahern could possibly have five or six, Komatsu could have some, and Caterpillar could have some, but there are 13 companies down here with possible multiple businesses, but I can definitely get you that information.

Assemblywoman Benitez-Thompson:

I appreciate the information and for us to consider on the record. I think that was probably one of the most important parts, when we are thinking about how this impacts the state and the counties. I appreciate these numbers; that will help give us food for thought.

Chris Sarman:

The numbers I provided, the 5,000 accounts, were simply business accounts with heavy equipment. It was not broken out again as a leasing company or an ownership, and that was not in regard to what might be found in industrial use or anything like that.

In addition, we heard in the testimony earlier that other states have adopted this. I just wanted to point out that to our understanding, in doing that some of the other states have made up that revenue loss through a registration fee or through an additional sales tax.

Chair Neal:

Staff and I have seen the other legislation and it is not the same as this, because it actually had *Nevada Administrative Code* (NAC). If you have looked at all the other ones, it dropped NAC into the legislation.

Assemblywoman Spiegel:

I was looking at one definition of industrial equipment on the Internet and it says that basically just about any type of device that is used in the industrial world could be considered industrial equipment. I was wondering, when you were looking at numbers, if you were just looking at the heavy equipment or if you were taking a broader look—looking at anything that any business has that could be considered industrial equipment?

Jana Seddon:

For my county we are a little bit different because, again, we are smaller. We only have one very small rental company. So most of ours is going to be from long-term rented equipment. We were looking at what could be considered heavy equipment, as far as your larger dozers, your cranes, your backhoes, anything like that. We did not have a whole lot of time to sit and go through this information, so we pulled companies that were rental companies for Storey County—rental companies only that were reporting this equipment.

Assemblywoman Spiegel:

Just so I can get a good understanding, because as I am trying to think through the definition of industrial equipment and also what this could mean, it struck me that there are things such as big medical equipment that might be able to be considered industrial equipment, such as MRI machines and that type of equipment. I was wondering if you had an opinion on that.

Burton Hilton:

In my analysis I kept it primarily to the larger dozer—Komatsu- and Caterpillar-type categories. I do understand your concern and questions on that.

Chris Sarman:

In addressing your question or concern—absolutely. Industrial use is so broad that it could mean a lot of different things. We have a lot of manufacturing with the equipment that is there. That is why we are asking that this has to be at least defined better.

Jana Seddon:

I believe the numbers all of us came up with were based on the construction side, even though there is an implication of how this bill is written for exactly what you are stating, and it is one of our concerns. It could be industrial equipment or large medical equipment that is on a long-term lease, or they own, and they say this is heavy equipment, it should be tax-exempt. That is one of our concerns. I think one of the problems that we are having is the definition. We are not really sure what we are supposed to be looking for at this point.

Chair Neal:

There are some other things that came up in terms of your numbers and their being raw, and other categories that you may consider. What is the time line of your getting us your final analysis? I know there were fiscal notes that could potentially come in on this bill, but they were not due until April 2, because they had eight days. If this is a part of what you were probably going to send to us anyway, I guess we will see it on April 2.

Is there anyone else who wants to testify in opposition to A.B. 388 in Las Vegas or Carson City? [There was no one.] Thank you for your testimony. It is food for thought for all of the Committee members. Is there anyone who wants to testify as neutral on A.B. 388? [There was no one.] Are there any closing remarks?

Chris Ferrari:

Understanding that conversation shifted quite significantly as it pertains to the definition of heavy equipment, it is by no means any intent to have that broad definition. We will tighten that significantly, working with the interested parties, in addition to incorporating the comments you made earlier specific to the intent. We will obviously narrow that significantly. We do look forward to working with the interested parties and appreciate your contemplation of this matter.

[([Exhibit K](#)) was submitted but not discussed and is included as an exhibit for the meeting.]

Chair Neal:

Definitely get with them. They had a significant list. I do not know where you are going to land, and you may land without what you need. I will close the hearing on A.B. 388 and open the hearing for public comment. Is anyone here for public comment in Las Vegas or Carson City? [There was no one.] We are adjourned [at 6:33 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.

[Exhibit C](#) is the Work Session Document for [Assembly Bill 113](#), dated March 28, 2019, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit D](#) is a proposed amendment to [Assembly Bill 113](#), submitted by Assemblywoman Robin L. Titus, Assembly District No. 38.

[Exhibit E](#) is the Work Session Document for [Assembly Bill 224](#), dated March 28, 2019, presented by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit F](#) is a proposed amendment to [Assembly Bill 242](#), dated March 11, 2019, presented by Marily M. Mora, President and Chief Executive Officer, Reno-Tahoe Airport Authority.

[Exhibit G](#) is a packet of letters in support of [Assembly Bill 242](#).

[Exhibit H](#) is a handwritten letter in support of [Assembly Bill 242](#), dated March 28, 2019, submitted by Patti Jesinoski, Private Citizen, Henderson, Nevada.

[Exhibit I](#) is a proposed amendment to [Assembly Bill 244](#), submitted by Assemblyman Al Kramer, Assembly District No. 40.

[Exhibit J](#) is a handwritten letter in support of [Assembly Bill 244](#), dated March 28, 2019, submitted by Patti Jesinoski, Private Citizen, Henderson, Nevada.

[Exhibit K](#) is a letter in support of [Assembly Bill 388](#), submitted by Chris Ferrari, representing American Rental Association.