

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

**Eightieth Session
June 1, 2019**

The Senate Committee on Revenue and Economic Development was called to order by Chair Marilyn Dondero Loop at 9:30 p.m. on Saturday, June 1, 2019, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Marilyn Dondero Loop, Chair
Senator Julia Ratti, Vice Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Heidi Seevers Gansert

GUEST LEGISLATORS PRESENT:

Assemblyman William McCurdy, Assembly District No. 6
Assemblywoman Dina Neal, Assembly District No. 7

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Bryan Fernley, Committee Counsel
Barbara Williams, Committee Secretary

OTHERS PRESENT:

Naomi Duerr, Vice Mayor, City of Reno
Dylan Shaver, Director of Policy and Strategy, Office of the City Manager,
City of Reno
Mac Venzon, Deputy Chief of Police, City of Reno
Seth Williams, Division Chief, Reno Fire Department
Sabra Newby, City Manager, City of Reno

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Mendy Elliott, Reno Sparks Chamber of Commerce
Daniel Pierrott, Grand Sierra Resort
Ryan Ashton, Reno Police Protective Association
Steven Conger, Nevada League of Cities and Municipalities
Jamie Rodriguez, Washoe County
Scott Edwards, Las Vegas Peace Officers Association
Rick McCann, Nevada Law Enforcement Coalition; Nevada Association of Public
Safety Officers
Tom Dunn, Professional Fire Fighters of Nevada
Michael Pelham, Nevada Taxpayers Association
Chelsea Capurro, Amazon
Edith Duarte, eBay
Josh Hicks, Microsoft Corporation
Bryan Wachter, Retail Association of Nevada; AT&T
Matthew Digesti, Blockchains, LLC
Michael Hillerby, Charter Communications
Miles Dickson, Chief of Staff, Office of the State Treasurer
Sarah Adler, Governor's Council on Food Security

CHAIR DONDERO LOOP:

We will start the meeting with a work session on Assembly Bill (A.B.) 446.

ASSEMBLY BILL 446 (1st Reprint): Revises the Nevada New Markets Jobs Act.
(BDR 18-1100)

JOE REEL (Deputy Fiscal Analyst):

Assembly Bill 446 was sponsored by the Assembly Committee on Taxation and heard by this Committee on May 30. This bill revises various provisions of the Nevada New Markets Jobs Act by authorizing an additional \$200 million of investments in qualified community development entities which may be made in exchange for \$116 million in tax credits under this program to be taken beginning in fiscal year 2022. I have submitted the work session document ([Exhibit C](#)).

SENATOR KIECKHEFER MOVED TO DO PASS A.B. 446.

SENATOR SEEVERS GANSERT SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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MR. REEL:

The next bill is A.B. 535.

ASSEMBLY BILL 535 (1st Reprint): Revises provisions relating to cigarettes and other tobacco products. (BDR 32-1242)

This bill was sponsored by the Assembly Committee on Ways and Means on behalf of the Office of Finance in the Office of the Governor and also heard on May 30. The bill provides for new and increased license fees relating to cigarettes and other tobacco products. I have submitted the work session document ([Exhibit D](#)).

SENATOR SEEVERS GANSERT MOVED TO DO PASS A.B. 535.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR DONDERO LOOP:

We will begin bill hearings with Senate Bill (S.B.) 556.

SENATE BILL 556: Allows certain counties and cities to seek voter approval for the imposition of a property tax to employ additional police officers and firefighters based on voter approval. (BDR S-1288)

SENATOR JULIA RATTI (Senatorial District No. 13):

When the Session began, I had high hopes we would have the opportunity to evaluate our revenue structures not just for local government but also for schools. The good news is that there has been good work done on meeting the important and pressing needs of our schools. However, what was not addressed was the challenges facing our local governments and funding the general cost of government. In my community, the No. 1 concern residents express is public

safety. In my eight years on the Sparks City Council, public safety was always at the top of the list of concerns in our community surveys.

We have come out of the Great Recession and there is wonderful economic development happening. We see growth, new jobs and new housing development. What we do not see is a rebound in revenue. That is because of structural challenges that exist within our revenue systems.

I apologize for the lateness of introducing this bill in Session. We only get to be here for 120 days every other year. When some of the other work did not come to fruition, I was approached by the City of Reno saying it was not sure it could wait two more years to solve this problem.

With S.B. 556, I want the citizens of any jurisdiction with a population under 700,000 to have the opportunity to have a conversation with voters about how to fund public safety. This bill gives jurisdictions the opportunity to put a relatively small property tax increase on the ballot and ask the voters if they are willing to pay a little bit more in property taxes to fund police and fire services.

NAOMI DUERR (Vice Mayor, City of Reno):

We are here tonight asking for your help getting us out of a tough situation. I am in my fifth year on the City Council and have completed five budgets. As Senator Ratti said, public safety is our No. 1 issue. We commit about two-thirds of our annual general fund budget to fire and police. Every year we go through a heart-wrenching process trying to divide up the small pie of our revenue. Along with public safety, our roads, sewers, storm water and parks were all severely cut during the Great Recession. It is complicated by our broken revenue system. Reno has some of the oldest housing stock in the State. I live in a house that started as a barn 100 years ago, became a house more than 50 years ago and is fully depreciated. I pay low property taxes.

The City of Reno had to lay off almost half our personnel during the Great Recession. Because of the tax caps, we fell hard and have had to climb out slowly. Since I have been on the City Council, our property tax revenue has increased a mere 0.2 percent from year to year.

I will use my ward as an example. It extends from Plumb Lane to Mount Rose Highway. On a daily basis, we have three police officers per shift on patrol. That is nine total for the day. Three officers have to cover an area of

approximately 50 square miles. As a Councilmember, public safety concerns are the main topic of phone calls to my office. I know other wards in Reno and other jurisdictions in Washoe County are experiencing their own issues. This problem is not unique to Reno.

DYLAN SHAVER (Director of Policy and Strategy, Office of the City Manager, City of Reno):

The bill addresses both counties and cities in parallel. Sections 1 and 5 establish the process whereby the city council or county commission can create a ballot question. In the course of a public hearing, it must establish the current baseline per capita expenditures being used for police or fire services in the jurisdiction as well as the needs in those areas. Specific targets must be set in terms of the needed funding.

After that has been done, the council or commission may, at a second meeting, recommend to have the question put on the ballot. We wanted to ensure there would be multiple opportunities for public input.

Should they make such a recommendation, sections 2 and 6 authorize them to pose a property tax ballot question on the November 2020 ballot. The maximum allowable property rate increase is 5 cents per \$100 of assessed valuation. In the City of Reno, with our median home value of \$372,000, that amounts to approximately \$65 per homeowner.

The funds generated by this measure may only be spent on police and fire services and fall outside of the 3 percent and 8 percent caps. It is above and beyond the \$3.64 per \$100 assessed value ceiling on the property tax.

Sections 3 and 7 allow the jurisdiction to begin collecting the tax upon approval by the voters. Sections 4 and 8 establish a series of controls in the way in which the funds can be spent. Any funds generated by this tax must be accounted for separately from the jurisdiction's general fund. The money in the separate fund can only be used to pay for new police and fire personnel. The funds may not be used to settle arbitration disputes, to adjust pay scales, to pay overtime to existing employees or to hire managers. These sections also include language to ensure the funds are not supplanted. If a jurisdiction does not meet the per capita baseline set out in the first meeting, it cannot access the funds generated by this tax. The only exception is if a jurisdiction's tax

revenues fall by more than 2 percent. These provisions will promote the confidence of the voters.

There are some small differences in the bill regarding cities and counties. Some counties are responsible for fire protection but not law enforcement and some are the other way around. Counties can only use the funds for services they actually provide.

Section 9 applies to all jurisdictions and requires quarterly detailed reporting to the Department of Taxation, which must forward it to the Legislative Counsel Bureau. Either entity can audit a jurisdiction. Again, these provisions help to ensure the public confidence that the funds are being well spent. Sections 10 and 11 simply provide that the reporting continues as long as the tax is in effect. Section 12 sets the expiration for the ballot question to November 1, 2020, ensuring local governments may only avail themselves of this option for the general election in 2020. If a ballot measure fails, there is no option to try again.

SENATOR KIECKHEFER:

Is there anything in the bill about how a jurisdiction decides who gets what in terms of police and fire protection?

MS. DUERR:

We could propose a split, but it is more likely we would evaluate where we are at the time the increase is proposed.

MR. SHAVER:

There is nothing in the bill requiring the jurisdiction to spell out the split. We wanted to preserve flexibility. It does require the jurisdiction to determine, before putting it on the ballot, whether it is intended for police or fire or both.

SENATOR KIECKHEFER:

Once you make the initial decision about who you will hire with the new funds, you are sort of locked in. You cannot fund police positions the first year and then move the funds to fire protection positions the second year. The decision you make, should the tax increase be approved, will be your funded positions going forward, correct?

MR. SHAVER:
That is correct.

SENATOR KIECKHEFER:
Do you have an existing per capita formula you use now in determining the baseline, and does it include the capital expenses that go along with the new positions? I want to ensure that you are using actual costs.

MS. DUERR:
We know what a fully funded team is. In the police arena, a full team is six officers, a sergeant, a police car, body camera, gun and other equipment.

SENATOR KIECKHEFER:
In the consideration hearing provided for in section 1, what is the process used to determine need?

MS. DUERR:
Because we are so strapped for funds, needs decisions are usually made on a negotiated basis. They are made based on how many homes are being built, response time, the need for additional fire stations. We have those statistics and use them to make decisions.

SENATOR KIECKHEFER:
Section 1, subsection 2 requires you to consider your needs and identify your gap. If this revenue stream only funded 5 percent of your gap, would it still make sense? How do you determine the threshold to forward this to a ballot?

SENATOR RATTI:
A lot of things in play in a local government have to come together to get to the decision. There is a regular and transparent budget process, and in that process a jurisdiction is already doing significant work towards these requirements. The needs are expressed annually to the public particularly coming out of the Great Recession where cities and councils have had to make difficult decisions. They know what has been subtracted and what needs to be built back. The best benchmark we have to compare is the per capita number. How many officers do we need to serve the population? I am certain that would be the starting point for most jurisdictions.

We have improved our use of data to make strategic use of resources. The upside is you get a lot of resources in areas where there has been crime and challenges that need to be addressed. The downside is areas like Ms. Duerr described where there might not be the same prevalence of crime and therefore 3 officers have to cover 50 square miles. That is the reality of the decisions being made. The budgeting process with the needs that we know are there from the last eight years of experience, overlaid with the per capita benchmark we use to compare ourselves to other jurisdictions, overlaid with the geographic data of calls for service is going to be where that number comes from. Prescribing it in *Nevada Revised Statutes* (NRS) does not make sense because it will look different for different jurisdictions.

MS. DUERR:

We know from national statistics based on cities our size that we are about 100 police officers short. To Senator Kieckhefer's point, the funds generated by this will not get us 100 officers. But it will get us a couple of more teams that we badly need. We have had to close two fire stations, and getting those reopened would be a priority.

SENATOR SEEVERS GANSERT:

The proceeds of any tax must be used to "employ and equip" peace officers or firefighters. Is there a ratio you use to determine how much is for personnel and how much for equipment? I know there can be federal grants for certain equipment.

MS. DUERR:

In the firefighting arena, a new truck is so expensive I do not foresee using these funds for that. We will prioritize funds on personnel and the equipment they need on the job, such as a portable computer, body camera or gun. The big capital expenses will have to be figured out separately.

SENATOR SEEVERS GANSERT:

That is part of the decision-making process that should be shared with the voters.

SENATOR RATTI:

That is not in the bill. Giving flexibility to the jurisdictions is important because West Wendover is different than Washoe County. It will also look different in Year 1 versus the ongoing expenses. In a small jurisdiction, the revenue may

pay for one officer and one car with a 50:50 ratio in the first year. That ratio would obviously change in the subsequent years.

SENATOR SEEVERS GANSERT:

There could be consideration given to a rolling average. Since this bill is outside the \$3.64 per \$100 assessed value and we are not going to have the partial abatement apply to this, do we have any other property tax that does not have partial abatement? I am concerned that there is potentially an argument about inequity. You could have districts within a city or county with different tax rates.

RUSSELL GUINDON (Principal Deputy Fiscal Analyst):

I am not aware of any local government entity that has a tax rate outside the partial abatements or outside the \$3.64. There is the 2-cent State debt rate. That is outside of the \$3.64, and Reno and Sparks are at \$3.66, the maximum rate.

SENATOR RATTI:

Having learned recently that we have hundreds of property tax districts, that experience is prevalent today. There are fire districts overlaid with general improvement districts. There are already layers of property tax distributed through each district.

SENATOR PARKS:

Will the ballot question be advisory, or will it implement the policy?

MR. SHAVER:

The voter decision would implement the tax.

SENATOR PARKS:

My experience goes back to increases in property tax dealing with the Las Vegas Metropolitan Police Department. There is Las Vegas Manpower Supplemental Property Tax rate that totals 28 cents per \$100 assessed value. Are you looking at using this bill over an entire jurisdiction or certain districts within the jurisdiction?

SENATOR RATTI:

The bill is written so each jurisdiction can decide on its own. The City of Sparks could put a question on its ballot, and Sparks does provide both police and fire

services. The same can be said for the City of Reno. In Washoe County, the question can be put where it has jurisdiction which is the Truckee Meadows Fire Protection District and the sheriff's office. Each community ballot question can succeed or fail independently.

SENATOR KIECKHEFER:

Earlier this Session we heard the More Cops bill. Clark County has set that up as an expenditure to ensure those funds are expended in the manner intended. It budgets that revenue separately, and it has allocated positions it uses for tracking. Why did you use the per capita expenditures method?

MR. SHAVER:

The per capita expenditures are more about the maintenance of effort than about tracking. We would still have to track and report—section 8 of S.B. 556 is specific about the use and reporting of the generated funds. The per capita expenditure guideline guarantees a baseline minimum effort to access the funds in the first place. We wanted to make sure the voters and the Legislature knew that we are going to spend the money where we promised. We are telling the voters we know how much we spend on these services now for all our residents. We are committed to keeping that level, and if we drop below that level, these funds the taxpayers have provided us are off the table.

SENATOR KIECKHEFER:

Do you worry that reduces budgetary flexibility for any local government going forward?

MR. SHAVER:

We apply for grants that have similar requirements, and it does reduce budgetary flexibility. However, we are in a situation where the need for these resources is significant. It does tie our hands, but frankly, it was supposed to.

CHAIR DONDERO LOOP:

How much of your budget do you use for police and fire?

MS. DUERR:

We spend about two-thirds of our general fund budget.

CHAIR DONDERO LOOP:

When you spoke about three police officers in a 50-square mile area, were you referring to everywhere or just a certain part of Reno?

MS. DUERR:

That example was my ward in Reno. When I started, there were two police officers on patrol per shift. Through a lot of work we were able to increase that to three. The same ratio exists in the north valleys. Downtown Reno has many more because it has a concentration of tourists and people congregate. There are other officers who are not on patrol, such as detectives.

CHAIR DONDERO LOOP:

I ask because it is not unusual for different areas to have different ratios of patrol officers based on need.

MS. DUERR:

I do have one of the largest wards. Often, when there is an altercation in one location, two or three of the officers respond. In that instance, there is no one else on patrol and those officers may be ten miles away from the next incident. My constituents regularly complain about the lack of police presence and the timeliness of a response to any nonemergency.

CHAIR DONDERO LOOP:

It seems this bill has been about the City of Reno, but I have heard references to West Wendover and Fernley. Can you address that?

SENATOR RATTI:

We are prohibited from explicitly writing laws that target one community. The City of Reno, working closely with the City of Sparks and Washoe County, worked hard to bring this bill forward. The population cap allows the counties and incorporated cities under the cap to do the same if they wish.

CHAIR DONDERO LOOP:

The bill provides this option to everyone in Nevada except Clark County, is that correct?

SENATOR RATTI:

Yes, that is correct.

CHAIR DONDERO LOOP:

Going back to the example of all the officers in one area being called to a specific incident, I know in Clark County the police department will pull in officers from another area to help. Is that not done in Reno?

MS. DUERR:

Yes, it is.

MR. SHAVER:

In the interest of time, I have asked the city manager to not show the presentation we brought with fire and police data ([Exhibit E](#)). The Committee and the public have the information.

CHAIR DONDERO LOOP:

How many police command areas does Reno have?

MAC VENZON (Deputy Chief of Police, City of Reno):

The city has 31 geographical beats patrolled by about 16 to 18 officers.

CHAIR DONDERO LOOP:

In Clark County, we have consolidated services. Who is the Reno Fire Chief?

SETH WILLIAMS (Division Chief, Reno Fire Department):

Reno Fire Chief, David Cochran, is out of town.

CHAIR DONDERO LOOP:

How many fire stations does Reno have?

MR. WILLIAMS:

We have 14 fire stations staffed with 17 separate companies. Two of those companies are ambulance companies and have no firefighting capabilities.

CHAIR DONDERO LOOP:

How many additional fire stations does Reno need?

MR. WILLIAMS:

We have a number of stations we would like to add, but S.B. 556 deals with additional personnel, not stations. We are understaffed. We used to run over 90 personnel per shift, but now we run about 71 per shift. In 1999, we had

roughly the same number of personnel, but our call volume has increased 300 percent. We have substantial challenges in terms of depth of resources. As with the police department, when we answer a call we move resources into the area which increases response times and dramatically impacts the life-safety of our citizens.

CHAIR DONDERO LOOP:

So you do not need buildings, you just need personnel? If S.B. 556 passes, would you just hire personnel or would you include fire trucks?

SABRA NEWBY (City Manager, City of Reno):

We would be using the revenue raised by this bill for personnel. We have some infrastructure needs, but this bill is really about personnel and the equipment for those personnel.

CHAIR DONDERO LOOP:

Would that be the same for the police, or would you be needing cars?

MR. VENZON:

It would be primarily the personnel and equipment such as body cameras. We look for grants for body armor and things like that. We would need a car per three officers.

CHAIR DONDERO LOOP:

How many police officers are there in total between City of Reno, City of Sparks and Washoe County Sheriff's Office? Do the officers from various jurisdictions overlap at all?

MS. NEWBY:

If you need a police officer, you contact the jurisdiction you are in whether that be Reno, Sparks or unincorporated Washoe County. I do not know how many sworn officers the other jurisdictions have, but the City of Reno has 327 sworn officers.

CHAIR DONDERO LOOP:

If this is so important, why is this being brought in the last 48 hours of the Session?

SENATOR RATTI:

There were other tax initiatives in play this Session that did not make it to the finish line. They failed relatively late in the Session, and that is the reason why we are here at this time. The idea came forward about two weeks ago. We talked to other stakeholders and had nuanced discussions with some of the other rural jurisdictions that would be affected by this. Then we had the bill drafting process, which takes time. Other parts of the State have had options given to them in past sessions that have set them up for more success. We have not had that in northern Nevada. Waiting another two years when the needs are so great did not seem to be an option.

CHAIR DONDERO LOOP:

We did just get this bill and have not had a chance to read it thoroughly. I have police and firefighters in my family, so I do not want you to think I am picking on you. With the More Cops bill, the police department hired and then got the funds. How will this bill work?

SENATOR RATTI:

The resources are slim and we would not be able to hire until we have revenue. In the case of Reno, we are talking about an ending general fund balance that is running at extremely low levels. Each individual jurisdiction would have to go through a cash flow management scenario. The hiring process for police and firefighters takes time, so it is likely they would start the process, but money would have to be coming in before services could begin.

SENATOR KIECKHEFER:

What is the City of Reno's growth rate on its property tax collections?

Ms. NEWBY:

It is approximately 3 percent, but I will get back to you with an accurate number.

SENATOR KIECKHEFER:

If you were to levy the full 5 cents allowed by the bill, what amount would it generate?

Ms. NEWBY:

Our projections are that it would generate approximately \$4 million.

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SENATOR KIECKHEFER:

What would that look like to the average homeowner?

MS. NEWBY:

The average homeowner would pay \$65 more annually.

MR. WILLIAMS:

This bill would provide us another tool that would help us staff our department. Our community has grown by leaps and bounds, and the tax caps have made it difficult to provide needed services. One of the best things about the bill is that it allows the voters of that community to vote on funding the core services.

CHAIR DONDERO LOOP:

What is the organizational structure of firefighting services in Washoe County?

MR. WILLIAMS:

There is the Truckee Meadows Fire Protection District, City of Reno, City of Sparks and the Airport Authority. We have a friends and neighbors agreement with all other local fire departments, but being the largest in the area, we typically get called on more than we call on them. That is an additional drain on our resources.

CHAIR DONDERO LOOP:

How many firefighters are you short?

MR. WILLIAMS:

We have 219 firefighters on the line. The National Fire Protection Association recommends 1.2 firefighters per 1,000 residents. That would put us at 320 personnel. By those numbers, we are 100 personnel short.

CHAIR DONDERO LOOP:

Is that a national standard?

MR. WILLIAMS:

Yes, it is. We operate with 0.87 firefighters per 1,000 residents. To put that in perspective, New York City runs about 120 calls per firefighter. The City of Reno runs over 200 calls per firefighter.

CHAIR DONDERO LOOP:

I understand what you are saying, because both Las Vegas and Reno have resort corridors. I suspect the Clark County Fire Department would tell us the same thing. The whole State went through the recession together. Do we know if other fire departments are as short-staffed as Reno?

SENATOR RATTI:

Yes, the City of Sparks has slightly different numbers but the same problem. Considering where we are in the Session, I made the choice not to bring in every jurisdiction. I brought the City of Reno to give you an example of a jurisdiction that would benefit from the provisions of S.B. 556. I am certain all the other jurisdictions would be happy to provide the data showing their need.

MENDY ELLIOTT (Reno Sparks Chamber of Commerce):

The Chamber is one of the stakeholders mentioned this evening. We support legislation that would enable a property tax increase to go to a vote of the people with the understanding that a tax increase would support a dedicated, transparent fund for public safety. Our community is changing, and the need for comprehensive services demands the municipalities seek robust solutions that will meet the expectations of residents.

While the Chamber's intention this Session was to seek comprehensive property tax and sales tax reform so that sustainable revenue could be better identified, this opportunity is a first step toward setting a foundation for a sustainable future.

DANIEL PIERROTT (Grand Sierra Resort):

The Grand Sierra Resort is committed to our community and believes this legislation is a necessity for northern Nevada. The national average is 2.1 law enforcement officers per 1,000 residents. In our area, the average is 1.3 officers per 1,000 residents. Even this is not an accurate picture, as a majority of the 421 officers in the Washoe County Sheriff's Department are assigned to the Department of Corrections.

We support S.B. 556 because it lets counties under the population cap to determine whether they will accept the proposed tax.

RYAN ASHTON (Reno Police Protective Association):

We are in support of this bill. Both the Sparks Police Protective Association and the Washoe County Sheriff's Deputies Association asked me to convey their support. They were unable to be here due to, ironically, staffing issues. Although you have heard we have 18 scheduled officers on patrol each shift, the reality is, due to sickness or personal reasons, the number is often closer to 12. This is to cover an area of 110 square miles. It is not unusual to have a 40-minute wait for backup, depending on where they have to respond in the city.

STEVEN CONGER (Nevada League of Cities and Municipalities):

The League is in support of S.B. 556.

JAMIE RODRIGUEZ (Washoe County):

In general, Washoe County is neutral on legislation that is permissive. Although Mr. Shaver brought the concept to us a few weeks ago, we did not have language on this bill until this morning. I would need the Board of County Commissioners to empower me to support the bill, and I cannot violate open meeting laws. The result is we are here in neutral this evening.

If S.B. 556 passes, the County will have the time to consider the legislation and explore the option further to determine if we want to bring this to our residents. I would like to address some of the Committee questions. Because any voter-approved tax would be on residents of unincorporated Washoe County, we would have to spend the funds on services that are specific to those unincorporated residents. We would not be able to use it for our regional services such as the jail and forensic labs which our sheriffs do for the whole region.

We have fire districts and the bill, as drafted, would not allow us to use it for them. That was at our request. Our two fire districts are separate from the County. One is the North Lake Tahoe Fire District and is run by an elected fire chief. The second is the Truckee Meadows Fire Protection District and is run by the Fire Board. The Fire Board is comprised of the same members as the Board of County Commissioners, but because their funding is separate, we did not believe it appropriate for the Board of County Commissioners to be making those funding decisions for outside entities.

SCOTT EDWARDS (Las Vegas Peace Officers Association):

The Las Vegas Peace Officers Association represents the corrections officers and sergeants of the City of Las Vegas jail. I am here in neutral. We support more public safety personnel to cover our growing communities throughout the State. There is a need for both fire and police personnel. An area often overlooked is that of corrections officers.

The City of Las Vegas jail is short about 30 uniformed positions using the guidelines from the U.S. Department of Justice. I am sure the jails in the Reno area are short-staffed as well. The City of Las Vegas does not use the More Cops revenue for our deputy city marshals and our city corrections officers. Since the tax requires voter approval, why not offer it to all municipalities throughout the State?

RICK McCANN (Nevada Law Enforcement Coalition; Nevada Association of Public Safety Officers):

We are here in neutral on S.B. 556. We favor allowing the voters to decide things. We certainly want more law enforcement and firefighters on the street. Although we have the More Cops revenue in Clark County, we do not have an equivalent funding source for firefighters.

The Las Vegas Metropolitan Police received 25,000 calls last year on the Fourth of July. They are in need of more cops. Everybody is in need of more cops and firefighters. While we continue to look for funds this Session, I have to remind everyone that our State law enforcement officers got zero from this Body this year.

TOM DUNN (Professional Fire Fighters of Nevada):

I am a full-time firefighter for the City of Reno. The Professional Fire Fighters of Nevada is neutral on S.B. 556. We have 20 different local chapters across the State, and some of them stand to benefit from the measure. Our executive board has not had a chance to vet the bill. They will be meeting tomorrow, and if we have a change in position, we will notify the sponsor and stakeholders.

It is important to recognize the current tax structure in the State has a ceiling on the property tax, but there is no floor. One of the things this bill could potentially do for local governments is provide a floor for public safety budgets. Our population growth is outpacing the ability of local government to provide services.

MICHAEL PELHAM (Nevada Taxpayers Association):

We are neutral for S.B. 556. We would suggest that the acceptable uses of the revenue be clarified. Ultimately, the voters should be allowed to decide.

SENATOR RATTI:

I would much prefer that we were having this discussion earlier in the Session. There has already been conversation about the fact that the normal revenue streams that fund a local government's general fund to support basic services have been insufficient to meet the need. The Legislature has given Clark County the ability to take significant and meaningful steps to address that with additional funding streams to make sure they have more cops. We have done that multiple times.

I hoped there would be structural changes that would help address the normal funding of local government, and I suspect the issue will continue to be discussed in this Body and local governments for many years to come. Right now, however, no jurisdiction besides Clark County has any additional revenue sources to call upon to meet that need.

This is a citizen Legislature that meets for 120 days every other year. If we do not jump on this now, the opportunity will not come up again any time soon. As a responsible representative of the people of Sparks, Reno and Washoe County, when the City of Reno came forward and asked, I felt we had to at least give it a shot. It is good policy to let the individual communities who have these needs make a decision about whether they want to raise the revenue on themselves to pay for needed services.

SENATOR KIECKHEFER:

I do not disagree with allowing the voters to make decisions like this. I do not disagree with the need. My frustration is what we are not doing in this Session. This would be on the ballot in 2020 and start generating revenue shortly thereafter. We could have had on the ballot at the same time a question that would fundamentally change our property tax structure that could positively affect every jurisdiction in the State.

I worry that if it fails on the ballot we are going to harm our ability to fix the system. If the people reject this, it would significantly hamper the ability to make permanent long-term property tax reform happen.

CHAIR DONDERO LOOP:

I will close the hearing on S.B. 556 and open the hearing on A.B. 445.

ASSEMBLY BILL 445 (1st Reprint): Revises provisions governing sales and use taxes. (BDR 32-797)

ASSEMBLYWOMAN DINA NEAL (Assembly District No. 7):

Assembly Bill 445 is a marketplace facilitator bill. With the U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc.*, there was a need for states to deal with remote sales. This bill reflects those efforts. We are not the first state to do this—several other states have implemented similar measures which have been in place for just over a year.

Section 2.5 defines an affiliate, while section 3 defines a marketplace facilitator. To be identified as a marketplace facilitator, one has to meet conditions in both section 3, subsection 1, paragraph (a) and section 3, subsection 1, paragraph (b). There has been much discussion about various entities being erroneously captured inadvertently by this language. Advertising is excluded, unless the entity is being paid for "inserting or making available tangible personal property on a marketplace." If you are not doing that, you are not being captured.

Section 3, subsection 2 lists exclusions. One of the exclusions is "a person who provides Internet advertising services." This exclusion was written because AT&T said we were capturing them through their internet advertising services. The exclusion in section 3, subsection 2, paragraph (b) involving travel arrangements was brought at the behest of Expedia. In the case of a rental car arranged through Expedia, the sales tax is collected at the time the vehicle is picked up.

Section 4 defines a marketplace seller, and section 5 explains that a marketplace facilitator must collect and remit sales tax under NRS 372 and lays out the threshold language that comes from the *Wayfair* decision. The stipulation is that you are captured as a marketplace facilitator if your sales to customers in Nevada exceeds \$100,000 or you have 200 or more separate retail transactions to customers in Nevada in a calendar year. In those cases, you are required to collect and remit Nevada sales tax.

Section 6 provides that the Department of Taxation shall not hold a marketplace facilitator liable for taxes under certain conditions. This language is modeled after several other states. It was also meant to address an issue of marketplace facilitators being liable for taxes as the result of an error. This provision also gives a marketplace relief from liability for errors up to 5 percent of the total sales and use tax owed for the calendar year prior to January 1, 2021.

Section 7 provides that the Department of Taxation may enact regulations requiring persons defined as referrers to collect and remit sales tax under NRS 372 if the referrals made by that person result in retail sales in Nevada. This provision captures an internet shopping service such as Google Shop.

Section 8 provides that nothing in sections 2 through 8 shall be construed to create any remedy or private right of action against a marketplace facilitator. Although some have complained that the language is circular and can inadvertently give immunity to all players, I would point out the language in section 8, subsection 2 clearly exempts marketplace facilitators "if," and I emphasize "if," they "acted in good faith and without malicious intent."

Sections 9 through 16 mirror the language in sections 1 through 8 regarding the Local School Support Tax in NRS 374.

SENATOR RATTI:

It was a brave legislator in South Dakota who pushed the court case that ended with the *Wayfair* decision which makes things fair between the brick-and-mortar stores and online retail. The moment the decision was handed down, Assemblywoman Neal began a tremendous amount of work toward making this happen in Nevada. I have utter confidence this was done well.

Are there any new amendments to this bill, or are we working from the first reprint?

ASSEMBLYWOMAN NEAL:

We are working from the first reprint.

SENATOR KIECKHEFER:

In your remarks, you indicated some stakeholders worry they might be captured erroneously under this bill. Is it related to the use of public blockchain technology? Is the use of that technology captured by the bill?

ASSEMBLYWOMAN NEAL:

Blockchain technology is not captured in the bill because you must be trying to move a piece of tangible property. The status of blockchain is new and nuanced. The status of blockchain in this building was codified just this Session. It is my understanding that blockchain is in a small ecosystem. They are not moving tangible goods, so I do not see how they are captured in the bill.

SENATOR KIECKHEFER:

You were not specific in your identification of stakeholders. It is clear now that blockchain technology is not captured in the bill.

SENATOR SEEVERS GANSERT:

Some groups were interested in whether they could file one tax return. Was that issue addressed?

ASSEMBLYWOMAN NEAL:

We have to identify who we are talking about. The language is structured to allow an agreement between a marketplace facilitator and a seller. If the agreement is in existence, the marketplace facilitator is responsible for the collection and remittance of tax. A seller, perhaps a big box seller on Amazon, may opt out of the agreement and choose to collect and remit on its own.

The Department will know who entered into an agreement and who did not, and it will expect reporting and remittances from those responsible parties. There are several ways it can be structured. Amazon is here today and can possibly give specifics as to how it expects it to work.

SENATOR SEEVERS GANSERT:

So Amazon may be collecting for multiple sellers. Can it roll all that together into one return?

ASSEMBLYWOMAN NEAL:

I understood during stakeholder conversations that Amazon was working on a system to simplify their process.

SENATOR SEEVERS GANSERT:

Does this legislation preclude them from rolling their transactions into one tax return?

ASSEMBLYWOMAN NEAL:

Nothing in the bill precludes that. The Department of Taxation will establish the regulations. Representatives from the Department were unable to be here tonight.

CHELSEA CAPURRO (Amazon):

Prior to the *Wayfair* decision, Amazon began voluntarily remitting sales tax. We can only remit tax on our own sellers. We cannot collect and remit for third-party sellers using the Amazon platform. This bill now allows us to do that.

SENATOR SEEVERS GANSERT:

Does this bill permit you to roll all your retailers into one tax return rather than having to file separate returns for each?

Ms. CAPURRO:

I am not sure. We are already doing this in other states that have passed similar measures. This is probably a Department of Taxation question. I will look into it and get back to you.

MR. GUINDON:

I am not intending here to represent the Department, but perhaps I can shed some light. The facilitator is the retailer. The bill does not preclude Amazon from filing on one return. It could choose to do its own sales separately or together with third-party retailers using the platform. The Department will work this out through regulation and can choose to give retailers flexibility. The only thing reported to the Department is total taxable sales.

CHAIR DONDERO LOOP:

What assurance does the Department have that a facilitator is remitting the proper amount?

Ms. CAPURRO:

The opt-out piece of the bill confuses the issue somewhat. The language of the reprint does a better job than the original. There are protections. To opt out, an entity must register with the Department of Taxation. The Department can audit any retailer.

EDITH DUARTE (eBay):

We appreciate the work the sponsor did with all the stakeholders and fully support A.B. 445.

MR. PELHAM:

This bill puts Nevada businesses on a level playing field with businesses located outside of the State. The Nevada Taxpayers Association supports this bill.

JOSH HICKS (Microsoft Corporation):

Microsoft is in support of A.B. 445. We had some concerns and had been going to request an amendment, but the clarity from today's hearing makes that unnecessary. It is clear that pure internet advertising is not captured by the bill.

BRYAN WACHTER (Retail Association of Nevada; AT&T):

We are in support of this bill. It provides parity to our Main Street retailers.

MATTHEW DIGESTI (Blockchains, LLC):

This is a good bill and we are in support of A.B. 445. I would like to respond to Assemblywoman Neal's comment about public blockchain technology. It is widely used and happening here in Nevada. That is why it is so important to ensure that legislation passed is not ambiguous. Overstock.com accepts bitcoin, as does Shopify. You can pay your Dish Network cable bill with virtual currency. Microsoft accepts bitcoin to play games on its platform. Public blockchain is being used today and becoming more widely accepted.

We appreciate the clarity we heard tonight that it is not the intent of this Body to capture public blockchain technology within the definition of marketplace facilitator. I would mention that virtual currency is mentioned twice in the bill and I am uncertain as to why. My assumption is that the drafters wanted to ensure that using virtual currency in a transaction did not exempt the sale of tangible property from the collection of sales tax.

MICHAEL HILLERBY (Charter Communications):

The late removal of a proposed amendment has changed our testimony from support to neutral. We were concerned that entities who had not been a party to the transaction and who had not collected the sales price or the sales tax were being pulled into the definition of marketplace seller.

That concern is not theoretical. Last Session, legislation was passed dealing with a long-running problem that Nevada's veterinarians had with the Department of Taxation. Some had been audited by the Department and were charged sales tax on items they had purchased at retail. It is a real concern for those who may be defined as marketplace sellers or through the referrer language. Based on the testimony, we are hopeful this is creating a clear record for the Department to guide it in its regulatory process.

ASSEMBLYWOMAN NEAL:

I would like Mr. Fernley to speak to the concerns of Charter Communications.

BRYAN FERNLEY (Committee Counsel):

The concern is in section 3, subsection 2 which states "The term does not include a person who provides Internet advertising services, including, without limitation, the listing of products for sale, if the person does not directly or indirectly or through an affiliate" do what is listed in subparagraphs (1) and (2). Subparagraph (2), in this case, includes one or more of the activities listed in section 3, subsection 1, paragraph (b).

In that paragraph, the concern is with subparagraph (3) which references an entity that "charges, collects or otherwise receives selling fees, listing fees, referral fees, closing fees, fees for inserting or making available tangible personal property on a marketplace." That means the entity is receiving a fee for making property available on a marketplace. Marketplace has a dictionary definition of being a place in which goods are bought and sold. If someone is providing just an internet advertising service, the goods are not being bought and sold on that service. It requires going to a separate website to make the purchase. Internet advertising also does not meet the criteria for facilitating a sale, it simply lists the item for sale.

ASSEMBLYWOMAN NEAL:

I urge the Committee's support. The majority of the language in the bill is built on legislation passed in Iowa, with whom we had extensive conversations about the hiccups they had encountered. This was a good blend of all the stakeholders who came to the table. This bill will move the needle for the future.

CHAIR DONDERO LOOP:

I will close the hearing on A.B. 445 and open the hearing on A.B. 326.

ASSEMBLY BILL 326 (2nd Reprint): Provides for tax credits for certain business entities that invest in certain fresh food retailers located in underserved communities and similar areas. (BDR 18-318)

ASSEMBLYMAN WILLIAM MCCURDY (Assembly District No. 6):

This bill establishes a program allowing entities who want to open fresh food groceries in underserved communities to apply for Nevada New Markets Jobs Act (NMJA) credits. The bill has definitions for fresh food retailers and specifies where they may be located, which is underserved communities. Underserved communities are defined as low-income census tracts and food deserts. The U.S. Department of Agriculture defines food desert as 500 or more people living in an area who have to travel more than a mile to a grocery store. In rural areas, that distance is ten miles or more.

CHAIR DONDERO LOOP:

How many retailers may avail themselves of this provision?

MILES DICKSON (Chief of Staff, Office of the State Treasurer):

The bill as revised redirects the source of capital for the program from the initial allocation to NMJA credits. The nature of that program is that it is competitive. Across the allocation of multiple different potential users, asset types and business types across the State, it would be speculative to name a number.

SARAH ADLER (Governor's Council on Food Security):

I support A.B. 326. I spent a great deal of my professional life in community development. It is not easy to make NMJA credits work, but it can be done and it would be a big win to bring together development in a low-income census tract and fresh food. I encourage you to take this step forward.

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CHAIR DONDERO LOOP:

Seeing no further business, this meeting is adjourned at 11:36 p.m.

RESPECTFULLY SUBMITTED:

Barbara Williams,
Committee Secretary

APPROVED BY:

Senator Marilyn Dondero Loop, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	2		Agenda
	B	2		Attendance Roster
A.B. 446	C	2	Joe Reel	Work Session Document
A.B. 535	D	1	Joe Reel	Work Session Document
S.B. 556	E	14	City of Reno	Fire Police Data Presentation