

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

**Eighty-First Session
April 6, 2021**

The Committee on Revenue was called to order by Chair Lesley E. Cohen at 4:12 p.m. on Tuesday, April 6, 2021, Online. 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/81st2021.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Lesley E. Cohen, Chair
Assemblywoman Teresa Benitez-Thompson, Vice Chair
Assemblywoman Natha C. Anderson
Assemblywoman Shannon Bilbray-Axelrod
Assemblywoman Venicia Considine
Assemblyman Gregory T. Hafen II
Assemblywoman Heidi Kasama
Assemblyman C.H. Miller
Assemblyman P.K. O'Neill
Assemblyman David Orentlicher
Assemblyman Tom Roberts
Assemblyman Steve Yeager

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblyman Glen Leavitt, Assembly District No. 23

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Terri McBride, Committee Manager
Gina Hall, Committee Secretary
Cheryl Williams, Committee Assistant



OTHERS PRESENT:

Richard Daly, representing Laborers Union Local 169
Jamie Rodriguez, Government Affairs Manager, Office of the County Manager,
Washoe County
Mary C. Walker, representing Carson City, Douglas County, Lyon County, and
Storey County
Alexis Motarex, representing Nevada Chapter Associated General Contractors
Jake Tibbitts, Natural Resources Manager, Eureka County
Vinson Guthreau, Deputy Director, Nevada Association of Counties
Calli Wilsey, representing City of Reno
Austin Osborne, County Manager, Storey County
James Humm, Director of Compliance and Regulatory Affairs, Office of Economic
Development, Office of the Governor
Michael Brown, Executive Director, Office of Economic Development, Office of the
Governor
Chris Ferrari, representing American Rental Association
John McClelland, Vice President, Government Affairs, American Rental Association
Ed Noonan, Government Affairs Director, United Rentals
Barry Duncan, Director of Government Affairs, Nevada Taxpayers Association
Dan Nabrotzky, Vice President of Finance and Accounting, Sunstate Equipment
Company, LLC
David A. Dawley, Assessor, Carson City; and Vice President, Nevada Assessors'
Association
Doug Scott, Assistant Director, Clark County Assessor's Office
Melanie Young, Executive Director, Department of Taxation
Michael A. Mears, Assessor, Eureka County
Jenny Phillips, Director of Tax and Compliance, Ahern Rentals, Inc.
Cyrus Hojjaty, Private Citizen, Las Vegas, Nevada

Chair Cohen:

[Roll was taken and Committee rules and protocol were reviewed.] I want to discuss the schedule for today's hearing. We will be going out of order. I am sorry for catching people off guard. We have had multiple hearings going on with a lot of Committee members out and me presenting, so I have not had a chance to let members know.

We are going to start with Assembly Bill 90 and then have our work session. We are pulling Assembly Bill 66 from the work session and rolling it to another day. We will then hear Assembly Bill 279. Sorry for the confusion.

**Assembly Bill 66: Revises provisions relating to the abatement of certain taxes.
(BDR 32-266)**

[Assembly Bill 66 was not heard.]

I will open the hearing on Assembly Bill 90. This bill requires counties to pay impact fees to certain local governments for projects of intercounty significance. Assemblywoman Benitez-Thompson will present this bill.

Assembly Bill 90: Requires counties to pay impact fees to certain local governments for projects of intercounty significance. (BDR 22-883)

Assemblywoman Teresa Benitez-Thompson, Assembly District No. 27:

I am here today presenting Assembly Bill 90. I would like to direct the members of the Committee to the conceptual mock-up [Exhibit C] available on the Nevada Electronic Legislative Information System (NELIS). I will be referring to the conceptual mock-up in its entirety, intended to replace all of the language in sections of A.B. 90.

I want to give you some background and history about this conversation. I will start with the legislative history. The original A.B. 90 was introduced by one of my colleagues, Assembly Bill 153 of the 79th Session, in 2017. At that time we were looking to have a conversation regarding intercounty planning, and the measure did not prevail. In the 2019 Session there was Assembly Bill 240 of the 80th Session, also introduced by one of my colleagues. That bill requested the county managers to meet and produce a report for the Legislature regarding regional impacts, with a report produced at the end of December.

As a starting point, Assembly Bill 90 was introduced in its original version from the 2017 Session [A.B. 153 of the 79th Session], knowing it would be heavily amended but really wanting to get back to the conversation regarding intercounty planning. Since this bill was originally introduced, there have been other dynamics in the building, and other conversations regarding intercounty planning, that I think beg the question once again: what is the structure that ought to be set up in order for regional planning to be discussed?

As a way of background on regional planning, some of you might be familiar with the Truckee Meadows Regional Planning Agency or with intracounty regional planning agencies. With an intracounty regional planning agency, you have cities and the county coming together to have more uniform planning for growth. The first regional planning commission was set up after a history of judicial conflicts where you saw local city agencies entering into those conflicts always having to use the judicial system in order to resolve differences. Finally, the regional planning commission was set up, and since that time, it has allowed, at least up north, for the conversation to happen around how planning and growth is managed. Outside of Washoe County [unintelligible] we have an adjacent county that is growing, and for about six years there has been a conversation in this building about how we talk about intercounty growth; how do we talk about growth among county lines.

To use a quote from former Senator Bill Raggio, who said in 1989, "Why plan regionally? Because the impact of growth knows no boundaries. I think it is especially important because the geographic situation is not like many other areas. For all intents and purposes ... the Reno-Sparks-Washoe County population is like a large bowl. It is largely a cohesive population within the confines of the mountains and the urban communities. It makes little sense to impose restrictions, limitations, and regulations which are tied to artificial geographic boundaries."

We are having that same conversation again—how do we plan a structure for growth and be supportive of growth, and also realize we have geographic boundaries that might prohibit some of those conversations on both, most of them being geopolitical. That being said, since this bill was first introduced, the conversation about intracounty planning has changed and has a different tone to it.

I want to explain what the amendment is and what it does. I also want to be very clear that it would probably be premature to ask the Committee for a vote of recommendation on this legislation just because there are so many other moving parts in the building right now. After I explain what the amendment does, I want to be very up-front that I think the most fair thing to do, to ensure we do not get ourselves sideways in other types of conversations that might be happening, is to have a referral to the Assembly Committee on Ways and Means without recommendation from this Committee. That way this piece of legislation can sit, and we can see how other issues might resolve themselves. At that time, this bill might still be needed, but it might not. I want to ensure we do not start down a path of other conversations regarding inter- or intracounty planning at this time, just because they were not at all necessarily relevant at the outset of this bill. What the study is contemplating is that, regardless of the lay of the land, is the Legislature, the judicial system the best place to land these conversations about intercounty growth, or indeed can we have government stand up an intracounty planning system that makes sense for them, and a place to house all future conversations.

This bill is looking for the Legislative Commission to appoint a committee to conduct an interim study concerning regional and state impacts from projects of intercounty significance. It will comprise six legislators. You can see from the amendment that we have a composite that is very typical of interim committees. Within the study, what I would like to be looked at, without limitation, are:

1. Affected local government, which means a county that is adjacent to the county where a project of intercounty significance is located, or a city located in a county that is adjacent to the county where a project of intercounty significance spurred by state-approved economic developments is located.
2. Economic development projects and their economic impacts to the state—both good and growing pains related—because we have to acknowledge so many of the ways the growth we have been experiencing in the state is good, and is something we want to encourage, but we always want it to be planned, cognizant growth.

3. Tax revenue abated by the Office of Economic Development, Office of the Governor, and the amount of revenue projected to be generated once abatements end.

Because we, as a state, have been approving abatement incentives throughout the counties, we have seen growth as a result. They have been working, and we have been bringing new companies here, and companies have also been expanding. With that economic growth also came population growth. In order to ensure we were making this a more finite conversation, I wanted that nexus to the state-sponsored growth we have been encouraging over the past decade.

Lastly, the committee shall also consider certain revenues considering impacts to contiguous counties and statewide needs. The committee may use all data it deems to be relevant, including:

1. State and local tax reports and assessments;
2. Demographics and projected population growth;
3. Housing trends to meet the projected population growth;
4. Master Plans;
5. State Medicaid cost for employees and dependents whose employer received state tax abatements.

What the Legislative Commission will do is report the results of the studies to the Chair of the Senate Committee on Revenue and Economic Development, as well as the Assembly Committee on Revenue and the Director of the Legislative Counsel Bureau (LCB) for transmission to the 82nd Session of the Nevada Legislature. What this will do is hopefully give the next legislative session some scaffolding around what this legislation should look like, so we will finally have a place we can have these conversations, and so it will not be strictly limited to a bill draft resolution or to actions within a court. That being said, I am open for questions.

Assemblywoman Bilbray-Axelrod:

Thank you for bringing this bill. It was really interesting to me, and I did a lot of research on places that might have these. I was not coming up with a lot of information. I kept harboring back to Atlanta, which is a city that has several counties in the metropolitan district, but it is kind of the opposite, right?

You laid out what the goal is, but I am wondering, are there other examples in the nation of where this has worked, where this has happened, and the benefits of it?

Assemblywoman Benitez-Thompson:

Yes, you see structures like this much more commonly on the East Coast, where you have multiple forms of government. You might have a township, then a city, and then a county, or you have big infrastructure starting in one county and ending in another county, like bridges.

In Nevada we have not been successful in having an intercounty structure setup, and I think we are going to have to think about what is going to meet our own needs. I think in the interim, a study structure where we have eight to ten meetings to have that conversation is probably going to be the best way for us to come at it.

Assemblywoman Anderson:

Is there any discussion about the impact to the schools and/or other infrastructure such as roads or other areas, which, although not part of bringing revenue in, are definitely a part of taking revenue out?

Assemblywoman Benitez-Thompson:

I think we crafted the language with the ability to examine, without limitation, the ability to say which pieces should be in there. What you saw in the original A.B. 90 was a lot of reference to the structure that was set up with the Truckee Meadows Regional Planning Agency, and that is why you saw very specific references to roads and to traffic counts. You saw those nods to infrastructure and I think we still want to have those, but at the same time, when you try to quantify it too specifically, you fall out of sorts with each other very easily. I thought that the better way to do it would be to allow for all types of conversations. When you are looking at the back end of impacts, if you are looking at state and local tax reports and assessments, you inherently scoop all of that up. You are going to be able to look at local school support taxes, sales tax, and modified business tax. You are going to be able to scoop that all up on the back end—the assessments and payments. It is my intent that when I say "without limitation," that we would be able to look at some of those things, but more at the end of being assessed versus so much of what A.B. 90 was looking at originally, which was the front end of planning. The amendment [[Exhibit C](#)] is moving more to the back end, where you are looking at more hard data about what has been happening versus the trends of where you are going.

Chair Cohen:

When doing this type of study, is there any concern about not getting the data needed for the study?

Assemblywoman Benitez-Thompson:

I do not believe so. I believe the Legislature, through the interim, has the right tools at hand in order to request the information, and much of this information is living in a public space anyway. The tax reports are living in a public place, as are the demographic reports. Those demographic reports and projections are done by the State Demographer for the Department of Taxation. You have very healthy projection documents to look at county by county. The Master Plans also live in a public space. A lot of this information is public and living out there.

Chair Cohen:

Do we have any other questions from the members of the Committee? [There were none.] Assemblywoman Benitez-Thompson, unless you have anyone with you to present, we will move to those in support.

Assemblywoman Benitez-Thompson:

I should mention I have been approached about two amendments—one formally. I believe Mary Walker from Storey County has an amendment [\[Exhibit D\]](#) which will add a sentence in about a county in which a project of intercounty significance exists. At this point, I think it is fine to have it in there, and I consider that a friendly amendment. The second request was by the Nevada Association of Counties (NACO) to see if they could have a member on the committee. I did talk with NACO briefly. Having non-legislative members and legislative members on the same committee would change the structure of the committee and the type of committee, although I am willing to examine other ways in which this could be stood up as a study or a committee during the interim. We have a couple of different vehicles available to us. I am not at all offended by that notion.

Chair Cohen:

We will now move to those in support.

Richard Daly, representing Laborers Union Local 169:

I am calling to lend support to this proposal as amended and going forward. I am happy to see that Assemblywoman Benitez-Thompson is taking up the mantle of this cause. I know this has been an issue for several years, and we are trying to find an answer to resolve many of these concerns that have come up over time. I do think that the interim committee is a good approach to try to move this forward and get the discussion going. I know there is going to be some information that is going to come out annually for another four years through A.B. 240 of the 80th Session, which requires the five northern counties [Washoe, Storey, Douglas, Carson City, and Lyon] to talk to each other and submit a report to the LCB and to every legislator who has a portion of any of those counties, addressing the growth between counties, how to address it, and various things. I wanted to add support for Assemblywoman Benitez-Thompson's moving this bill forward. I hope we have success on this as another step in this direction, which will address many of these concerns. I know on the East Coast, as Assemblywoman Bilbray-Axelrod asked, they have had deals like this, interstate in Maryland and New Jersey, between agencies and states for projects of significance that go across state lines, not only county lines.

Jamie Rodriguez, Government Affairs Manager, Office of the County Manager, Washoe County:

I am the government affairs manager for Washoe County and wanted to thank Assemblywoman Benitez-Thompson for the conceptual amendment [\[Exhibit C\]](#), and what will hopefully become A.B. 90. We did have some pretty strong concerns about the bill as drafted—mostly that it would do the opposite of her intent and cause all the local governments to have more infighting. We think the idea of an interim study to help look at this information is extremely important and a great step forward. To Assemblywoman Anderson's concerns, we did want to keep the language a little bit open. Different counties collect different information in different ways, and it was our concern that if we get too specific, it could be really difficult for any of the counties, or some of the counties, to comply with the request from the committee in ensuring we get the information they need to review to make the interim study as fruitful as possible.

I want to thank Assemblywoman Benitez-Thompson for bringing this forward. We think this is a great measure and hope it can move through this session. We appreciate the amendments from Mary Walker [\[Exhibit D\]](#), and we were hoping to have someone from NACO on there just to help read through the information on how counties operate and what some of the impacts may be.

Mary C. Walker, representing Carson City, Douglas County, Lyon County, and Storey County:

We want to thank Assemblywoman Benitez-Thompson for working with us on this bill. She has really been great. We are in support of A.B. 90 with the conceptual amendment from Assemblywoman Benitez-Thompson [\[Exhibit C\]](#) and also with the promise she made that she would accept our amendment [\[Exhibit D\]](#) as a friendly amendment. I will get that to the Committee right away, now that I know she is okay with it.

In the current conceptual amendment [\[Exhibit C\]](#) of A.B. 90, in paragraphs 3 and 4, the study includes only an adjacent county or an adjacent city, not the actual county where the project of intercounty significance exists. In our amendment we would like to see the county where the project exists have the same standing as the other adjacent local governments by being included in paragraphs 3 and 4 [\[Exhibit D\]](#). We sincerely appreciate Assemblywoman Benitez-Thompson's efforts and her conceptual amendment, and look forward to continuing to work with her.

Alexis Motarex, representing Nevada Chapter Associated General Contractors:

I am representing the commercial construction industry in northern Nevada. We are in support of A.B. 90 as presented with the amendment [\[Exhibit C\]](#). Regional planning should not be limited by the arbitrary lines drawn to determine city and county boundaries. Projects of large intercounty significance impact entire regions and a more thoughtful collaborative approach is necessary. This interim committee will go a long way in starting meaningful dialogue, and we appreciate Assemblywoman Benitez-Thompson for bringing it forward.

Jake Tibbitts, Natural Resources Manager, Eureka County:

Thank you for allowing Eureka County to provide our opinion and insights on A.B. 90. Eureka County had registered to provide testimony in opposition to A.B. 90; however, we have reviewed the amendment [\[Exhibit C\]](#) from Assemblywoman Benitez-Thompson and the recognition that Storey County's amendment [\[Exhibit D\]](#) is a friendly amendment to include a county that has the project of intercounty significance in the study. This has changed our position to in support. We greatly appreciate Assemblywoman Benitez-Thompson's efforts to find common ground, and our support would be strengthened even more if NACO were given a seat on the interim committee.

We note that mining counties like Eureka County often have projects affecting an entire region and multiple counties. At times one county may have substantial mining projects affecting an intercounty region, but almost overnight that can shift to another county with just a simple change in gold prices or a new mine coming in. Everything comes full circle in

mining, and one county's shoe is often swapped to another county's foot. Mining has to occur where the mineral resource lies, so this is a big consideration we think needs to be taken into account moving forward. Thank you for your consideration today, and we want to thank Assemblywoman Benitez-Thompson for her commonsense middle ground on this.

Vinson Guthreau, Deputy Director, Nevada Association of Counties:

The Nevada Association of Counties wanted to get on the record and support the presented amendment [[Exhibit C](#)] on A.B. 90, and thank Assemblywoman Benitez-Thompson for working with local governments and including NACO in these conversations. We also want to thank Assemblywoman Benitez-Thompson for highlighting her intention to possibly include NACO as a non-voting member of this committee and thank her for trying to find a way to include a county and putting expertise on this committee. We echo the comments made by Washoe County, Mary Walker on behalf of her four counties, and Jake Tibbitts on behalf of Eureka County.

Calli Wilsey, representing City of Reno:

We are in support of A.B. 90 with the conceptual amendment [[Exhibit C](#)] as presented by the bill sponsor. We want to thank Assemblywoman Benitez-Thompson for recognizing the importance of this topic and bringing forward the amendment with the goal of creating dialogue on this piece of the puzzle as it relates to impacts of regional development. Growth in our region is certainly an important issue to the City of Reno. We stand ready to assist in these conversations in any way we can. We look forward to continuing to discuss this topic with the bill sponsor.

Austin Osborne, County Manager, Storey County:

I wanted to let you know the Board of County Commissioners took action today directing staff on a position on A.B. 90. At this point, pursuant to your change of the bill with Mary Walker's request [[Exhibit D](#)], which we really appreciate, we will support A.B. 90 as amended to be an interim study if a county which has the project with intercounty significance has the same standing as the adjacent local government. We look forward to being a cooperating partner in this bill as it approaches the next steps. We also thank Assemblywoman Benitez-Thompson for her consideration of our suggestions and for including us in conversations.

Chair Cohen:

Before we move on to the next person in support, I wanted to let the members of the Committee know the conceptual amendment is being posted to NELIS right now [[Exhibit D](#)], so it should be up shortly. We will hear from the next person in support. [There was no one.] We will move to those in opposition. [There was no one.] Is there anyone in neutral? [There was no one.] Assemblywoman Benitez-Thompson, do you have any closing remarks?

Assemblywoman Benitez-Thompson:

This is not a new question being brought before this body. I think it really is time to think about how we grow. We are a small state, which is a blessing, and what that means is our

counties are more dependent on each other than what we might initially think. As we grow, we want to do it thoughtfully, in a way that is respectful and considerate of our neighboring counties. I think through the interim we will be able to work to a spot, to stand up scaffolding for further conversations that make sense.

Chair Cohen:

I will close the hearing on A.B. 90. I will accept a motion to amend and do pass Assembly Bill 90, with the conceptual amendment presented to the Committee, as well as the conceptual amendment presented by Storey County.

ASSEMBLYWOMAN BENITEZ-THOMPSON MOVED TO AMEND AND DO PASS ASSEMBLY BILL 90.

ASSEMBLYWOMAN BILBRAY-AXELROD SECONDED THE MOTION.

THE MOTION PASSED. (ASSEMBLYMAN ROBERTS WAS ABSENT FOR THE VOTE.)

Chair Cohen:

We will now move on to our work session. I will ask Mr. Nakamoto to provide us information about those bills.

Assembly Bill 20: Revises provisions relating to transferable tax credits for film and other productions. (BDR 32-267)

Michael Nakamoto, Deputy Fiscal Analyst:

The first bill on today's work session is Assembly Bill 20, which was heard in this Committee on February 18, 2021, and was sponsored by this Committee on behalf of the Office of Economic Development, Office of the Governor (GOED). This bill makes several changes relating to the transferable tax credits for film and other productions that may be issued by GOED. In the work session document [[Exhibit E](#)] there are nine different things that are listed in the bullet points. I am not going to go through all nine of them. I will point out a few.

The first four basically have to do with the definition of what is and is not a "qualified production" for the purposes of the transferable tax credits. There is an extension of the time by which an audit of the qualified production must be submitted to the Office [Office of Economic Development, Office of the Governor] that has changed from not more than 90 days after the completion of principal production or postproduction, to not more than 270 days after the completion of principal production or postproduction, with the ability for the Office to extend this deadline by an additional 90 days. The last major change is that there are additional circumstances under which the Office may withhold, in whole or in part, transferable tax credits that have been issued to a production company.

There are two amendments to the bill that have been submitted. The first, submitted by the Office at the hearing, would add section 2, subsection 4 of the bill to require that the application for transferable tax credits include an agreement to include the state logo that is provided by the Nevada Film Office in the end credits, indicating that the production was filmed in Nevada. If the production does not include end screen credits, an alternative acknowledgement to the state of Nevada is required within the final production.

There is a second amendment attached to the work session document [[Exhibit E](#)] that was submitted by Mr. Alonso, on behalf of UFC/Endeavor, that has three changes that are outlined in the work session document. The first change is in section 1, subsection 1—the definition of "qualified production" would be amended to include a multiday event which culminates in an international competition televised in a minimum of 100 countries.

The second change would be to section 1, subsection 2, paragraph (e), which deals with sporting events. This would be further amended to specify that it is not intended to preclude any qualified production in section 1 of this act. There was information provided to the Chair and Fiscal staff from GOED that spoke specifically to this amendment by Mr. Alonso, that it seeks to clarify a production that would otherwise qualify—such as a commercial, documentary, or television series—should not be disqualified simply because it is related to sports. They gave examples such as a commercial starring a player for the Las Vegas Raiders, a documentary on the Vegas Golden Knights, or a reality show featuring participants of UFC [Ultimate Fighting Championship] events. These could still be included as qualifying productions, as the amendment would be intended.

The third change from Mr. Alonso is in section 1, subsection 2, paragraph (f), which currently is amended to exclude pageants in addition to galas or awards shows. There would be a clarification that the pageants that would be excluded would only be local or national pageants. If there are any questions, I would be glad to answer them.

Chair Cohen:

Do the members of the Committee have any questions for Mr. Nakamoto? We also have Mr. Humm from GOED here to answer any questions you may have. I want to make sure we are all on the same page about what GOED is proposing from the amendment submitted by Mr. Alonso, and what it is not accepting. Mr. Humm, do you have anything you would like to add to that?

James Humm, Director of Compliance and Regulatory Affairs, Office of Economic Development, Office of the Governor:

Chair Cohen, if you do not mind, I would like Director Brown to make initial comments, and we also have Eric Preiss from the Nevada Film Office to dive in and answer any specific questions.

Michael Brown, Executive Director, Office of Economic Development, Office of the Governor:

We studied this issue. We did a comparison with some of our peer states and we can accept the portion about sporting-related events, particularly with the emerging sports economy in southern Nevada. That is something we think we would like to do, though this would not grant credits to the actual sporting event. It would be the event surrounding it.

On the issue of pageants, that became more complicated. We could not find a peer state example that would chart a path for us, so we would respectfully like to go forward with the sports amendment as Mr. Alonso has suggested, but we would like to defer on going forward on the pageants.

Chair Cohen:

Do the members of the Committee have any questions or need clarification?

Assemblyman O'Neill:

I just want to get clarification. You are accepting amendment number one in section 1, subsection 1, the definition of a qualified multiday event. Could that not be a pageant?

Michael Brown:

I believe that is attached to the language related to sporting events. Mr. Humm probably has that in front of him.

James Humm:

No, we would not be accepting a multiday event which culminates in an international competition. That is the one we would not like to accept, but we would accept section 1, subsection 2, paragraph (e), not intended to present any qualified production in section 1 of this act. We wanted some clarification on the actual pageant because this was a question that arose in the past, if a pageant was a gala, show, or pageant.

Michael Nakamoto:

To provide clarification: It is my understanding that the Office, as listed in the work session document of Mr. Alonso's amendment, would only be accepting item number two of the three that are listed there, and not number one or number three.

Chair Cohen:

Are there any other questions from the members of the Committee?

Assemblywoman Anderson:

In rereading this and looking at subsection 3, this was not accepted that only local or national pageants would be excluded; it is every pageant that would be excluded. It does not matter if it is local, national, statewide, or international. All pageants are being excluded. Is that correct?

Chair Cohen:

Correct, and Mr. Brown can correct me if I am wrong.

Michael Brown:

Yes. That is correct.

Chair Cohen:

Seeing no other questions, I will accept a motion to amend and do pass A.B. 20.

ASSEMBLYWOMAN CONSIDINE MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 20.

ASSEMBLYMAN MILLER SECONDED THE MOTION.

Is there any discussion on the motion?

Assemblyman O'Neill:

I am going to be voting yes, but I am going to reserve my right to change my vote on the floor. I want a little more time to digest the amendment of what we are and are not accepting.

Chair Cohen:

That is certainly fine and all members have the right to change their vote before the bill gets to the floor. I would request you inform me and the bill sponsor in any situation if you do decide to change your mind. Is there any more discussion on the motion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMAN HAFEN VOTED NO.
ASSEMBLYMAN ROBERTS WAS ABSENT FOR THE VOTE.)

I will assign the floor statement to myself. I will close the work session on A.B. 20 and open the work session on Assembly Bill 29.

Assembly Bill 29: Revises provisions governing programs for the development and commercialization of research and technology in this State. (BDR 18-256)

Michael Nakamoto, Deputy Fiscal Analyst:

The next bill on today's work session is Assembly Bill 29, which was heard in this Committee on March 4, 2021, and was sponsored by this Committee on behalf of the Office of Economic Development, Office of the Governor (GOED). Under current law, the Knowledge Account is created within Chapter 231 of *Nevada Revised Statutes*. The money in this account may be used to fund a program for the development and commercialization of research and technology at the University of Nevada, Reno; the University of Nevada, Las Vegas; as well as the Desert Research Institute (DRI).

Assembly Bill 29 makes the following changes relating to the Knowledge Account:

- The name of the account is changed to the Nevada Innovation Account;
- The provisions of the Account are revised to allow for competitive grants to be awarded to the research universities, DRI, private entities, or partnerships between private entities and the research universities or DRI;
- The duties of technology outreach program designed to provide resources for the research universities, DRI, and businesses and entrepreneurs are expanded to include additional support as outlined in the bill.

There are a series of amendments that were submitted to the bill by GOED, which are attached to the work session document [[Exhibit F](#)]. There are actually two amendments included in the attached document. The first would amend section 2, subsection 4, paragraph (c), subparagraph (1) of the bill, to specify that the competitive grant programs are designed to facilitate the technology outreach program created pursuant to NRS 231.1596, as amended by section 6 of the bill. The second change to the bill would be to amend section 2 by adding a provision requiring that 80 percent of all competitive grants be awarded to the research universities or DRI, or to partnerships between private entities and the research universities or DRI. That is the end of the document. I would be glad to answer any questions.

Chair Cohen:

Again, as a reminder, Director Brown and his team are available. Do we have any questions from the members of the Committee? [There were none.] I will accept a motion to amend and do pass A.B. 29.

ASSEMBLYMAN O'NEILL MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 29.

ASSEMBLYMAN HAFEN SECONDED THE MOTION.

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

THE MOTION PASSED. (ASSEMBLYMAN ROBERTS WAS ABSENT
FOR THE VOTE.)

I will assign the floor statement to Assemblyman Orentlicher. I will close the work session on A.B. 29 and open the work session on Assembly Bill 368.

**Assembly Bill 368: Revises provisions relating to tourism improvement districts.
(BDR 22-17)**

Michael Nakamoto, Deputy Fiscal Analyst:

The final bill on today's work session is Assembly Bill 368, which was heard in this Committee on March 30, 2021, and was sponsored by Assemblywoman Benitez-Thompson. Assembly Bill 368 revises the provisions governing the report that the Department of Taxation must periodically release containing information on tourism improvement districts (TIDs) created in Nevada. The bill specifies that the report must provide information separately for each TID in a municipality, unless reporting the information separately would disclose or result in the disclosure of proprietary information about an individual business, in which case the report must provide information in the aggregate.

There is a conceptual amendment to this bill that was submitted by Assemblywoman Benitez-Thompson, which is outlined in the work session document [[Exhibit G](#)]. This would add language to section 2, subsection 2. This is the provision that currently requires the Department of Taxation, on or before April 1 and October 1 of each year, to prepare and submit to the Director of the Legislative Counsel Bureau certain information regarding TIDs within each municipality, to additionally require the following information to be included as part of these reports:

1. The name and geographical location of each TID that is located in each county;
2. The total amount of pledged sales tax revenue that was distributed to each TID;
3. Additional reporting of the taxable sales for the businesses located within a TID in each county for each six-month reporting period, within specified dollar amount ranges. The specified dollar ranges shall be determined in a manner by the Department of Taxation for each TID that results in the most detailed reporting of information possible without resulting in the potential disclosure of proprietary information of any business located in the TID. You can see that there is an example listed on the work session document [[Exhibit G](#)]. You will also note that the reporting of taxable sales is only required in this fashion if the Department of Taxation cannot report taxable sales for each business in a TID without including proprietary information.
4. The report should include the time that is remaining for the bondholders of the TID project to make payments on those bonds.

I would be glad to answer any questions.

Chair Cohen:

Members, do you have any questions? [There were none.] I will accept a motion to amend and do pass A.B. 368.

ASSEMBLYWOMAN BILBRAY-AXELROD MOVED TO AMEND AND DO PASS ASSEMBLY BILL 368.

ASSEMBLYWOMAN KASAMA SECONDED THE MOTION.

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

THE MOTION PASSED. (ASSEMBLYMAN ROBERTS WAS ABSENT FOR THE VOTE.)

I will assign the floor statement to Assemblywoman Benitez-Thompson. I will close the work session on A.B. 368 and open the hearing on Assembly Bill 279, which revises provisions governing taxes imposed on certain heavy equipment. Assemblyman Leavitt will present this bill, and I will let him introduce his copresenter. I want to remind the Committee and the public that there is a conceptual amendment [[Exhibit H](#)] from Assemblyman Leavitt, which was sent to the Committee members but is also on the Nevada Electronic Legislative Information System.

Assembly Bill 279: Revises provisions governing taxes imposed on certain heavy equipment. (BDR 32-26)

Assemblyman Glen Leavitt, Assembly District No. 23:

I am here today to present Assembly Bill 279 and its conceptual amendment [[Exhibit H](#)] for your consideration. As the law currently exists, heavy equipment rental companies pay two independent property taxes for their machinery: Once upon the purchase of the piece of equipment, and again upon the leasing of the equipment. This policy used to be fairly standard nationwide; however, most states have provided some sort of relief of this dual tax situation. Nevada is now one of only six states that have yet to address this issue.

The intent of A.B. 279 is to simplify and standardize the process of collecting this revenue to allow heavy equipment rental companies to be able to anticipate their financial burden and improve transparency to the consumer. This bill would exempt heavy equipment rental property from a property tax on the rental portion and instead impose a line-item fee that will be collected on these rental transactions. With me today I have Chris Ferrari, John McClelland, and Ed Noonan to go over the details of the bill. They will also be available to answer questions regarding the details of the bill and its conceptual amendment [[Exhibit H](#)].

Chris Ferrari, representing American Rental Association:

We are in support of A.B. 279. I would like to thank Assemblyman Leavitt and the Department of Taxation for their time. I also noticed in the queue a couple of our state assessors—Mr. Dawley and Ms. Seddon—who are here likely in opposition to the measure.

I feel it is important to make the Committee aware we worked very closely with the assessors in 2019 and attempted to do so throughout the 2020 Interim, but we came to an impasse so we are here today before you, the legislative body responsible for our state and determining tax policy.

Assembly Bill 279 fixes a glaring inequity. As Assemblyman Leavitt mentioned, the heavy equipment rental industry and its customers are being subjected to a double taxation. A sales tax is paid on these rentals—as is a full year of property tax—on equipment that happens to be in Nevada on July 1. Now if I have 50 pieces of heavy equipment and they travel the western United States, and 10 of those pieces of equipment happen to be in Nevada on July 1, I am going to be hit on those pieces with a personal property tax. I, as a business owner, have to bill that in to pass on to my customer. Also, with it being July 1, if my fiscal year is January 1 to December 31 as it is with most businesses, this is going to throw me a big curve ball that ultimately gets passed on to the consumer. Nevada is one of six states that have not fixed this issue, and we believe it is time.

The National Conference of State Legislatures said taxes on business personal property do not align with common principles of taxation, including neutrality, efficiency, and transparency, and in fact distort markets by discouraging capital investment and imposing high administrative and compliance costs [[Exhibit I](#)]. This is exactly what we are trying to remedy.

Without this reform, we are not storing, selling, or maintaining equipment at the rate we could. This means jobs. This means economic activity in Nevada. If I know that my equipment is going to be subject to that middle-of-the-year personal property tax, I am going to do my best to ensure it is in any of our neighboring states.

This measure is revenue-neutral. The conceptual amendment [[Exhibit H](#)] proposes that the existing property tax be removed and replaced with a heavy equipment rental fee. This would take effect on July 1, 2022. The rate would be determined based on historical data by the Department of Taxation to offset the loss of property tax revenue. That affords a predictable taxation rate and benefits both consumer and the industry. It is a real win-win.

Here to provide an overview of the conceptual amendment [[Exhibit H](#)], which is titled "AB 279 Conceptual Amendment, C. Ferrari" and is on NELIS [Nevada Electronic Legislative Information System] if you do not have it, is John McClelland, Vice President and Chief Economist for the American Rental Association.

John McClelland, Vice President, Government Affairs, American Rental Association:

I want to thank you for the opportunity to appear before you today. I am proud to say that the equipment rental industry supports 6,200 good-paying jobs in Nevada, and I am here to support passage of A.B. 279 as amended. I also want to convey the support of Sunbelt Rentals, one of our members, whose representative was unfortunately unable to be with us this evening, so please record that as supporting of Sunbelt Rentals.

The American Rental Association has 17 member companies with 48 locations in Nevada that are engaged in the business of renting heavy equipment. This equipment is vital to supporting a robust construction industry in the state. The bill is important to the equipment rental industry in Nevada because it simplifies the way rental companies pay their personal property taxes. As mentioned, the bill creates a heavy equipment rental fee that will be collected as part of each rental transaction. This means that rental companies are not going to have to guess how much property they are going to have in the state and how much property tax liability they are going to have at some future date. So putting this system in place will provide certainty to rental companies and their customers because it eliminates the need for rental companies to guess what the property tax liabilities are going to be and then somehow incorporate that into their rental rates.

Assembly Bill 279 is a revenue-neutral proposal, and it will not have an impact on rental rates in Nevada. I would now like Mr. Ed Noonan from United Rentals provide you with some highlights of the conceptual amendment [[Exhibit H](#)] to A.B. 279.

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

Ed Noonan, Government Affairs Director, United Rentals:

We currently employ 135 people working from seven locations in the state. I am here today speaking in support of A.B. 279 and the conceptual amendment [[Exhibit H](#)]. I would like to start by saying I concur with the remarks made by Mr. McClelland, and I would like to address just a couple of key points with the conceptual amendment. First, it ensures that taxing jurisdictions currently receiving property tax from each rental location will continue under the same distribution process used today. Rental companies will provide rental revenues and property taxes paid to the Department of Taxation [Department] for the current 2021 fiscal year. The Department will compare property tax and revenue provided and set the rate for the heavy equipment rental fee. Assembly Bill 279 shows the rate to be 1.25 percent. We would expect the rate, determined by the Department, to be somewhere between 1 percent and 1.5 percent. Effective July 1, 2022, heavy equipment will be exempt from local property tax and the heavy equipment rental fee will be imposed and collected on rental transactions. Assembly Bill 279 with the conceptual amendment streamlines the process for collections and distributions, benefiting governments, the construction industry, and end users alike while providing rental companies with greater economic certainty. Thank you for your time today, and I urge your support to pass A.B. 279 and the conceptual amendment.

Chair Cohen:

Assemblyman Leavitt, is there anyone else who is part of the presentation?

Assemblyman Leavitt:

No. That concludes the presentation of the bill and the conceptual amendment [[Exhibit H](#)]. We are here to answer any questions that might arise.

Chair Cohen:

I am still a bit confused about the mechanics. Can we go through the conceptual amendment [\[Exhibit H\]](#) with a little more detail?

Ed Noonan:

To go through the conceptual amendment, the way it is proposed:

1. Within 90 days after the close of the 2021 fiscal year ending June 30, 2021, the rental companies will provide the Department with the following:
 - a) Twelve months of rental revenue submitted for Nevada state sales tax for the period July 1, 2020, through June 30, 2021, for each location in the state.
 - b) Total personal property tax paid statewide for fiscal year 2021—July 1, 2020, through June 30, 2021.
2. By December 31, 2021, the Department shall compare the rental revenue with the property tax paid and determine the percentage rate necessary to achieve revenue neutrality between the two, implemented by the creation of the heavy equipment rental fee.
3. Effective July 1, 2022, qualified heavy equipment rental property will be exempt from personal property tax, and the heavy equipment rental fee will be levied on rentals.
4. Effective July 1, 2022, the heavy equipment rental fee will be set at the rate to be determined by the Department and collected on rental transactions of qualified heavy equipment in the state to a renter in a taxing district in a county in this state.
5. Heavy equipment rental companies will remit collected fees quarterly to the Department for each rental location in the state.
6. Annually, the Department shall distribute the funds back to each county, detailing the amount remitted by each rental location within the county.
7. The county will then distribute the funds to all taxing jurisdictions associated with each rental location based on the same allocation that the personal property tax is allocated, ensuring revenue neutrality.

I think what we are saying is the mechanics of this and the result of this are going to be very similar to what is being done today with the property tax. It is just a more efficient method in order to get there. There will be no loss of revenue for local governments. The way this has been created, it is done in such a way that the distribution back to local governments will be done by the location. So however that property tax is being allocated today, within all those taxing jurisdictions, this additional fee will be distributed in that same manner.

Chris Ferrari:

To put this in terms I can understand, which is relatively limited when it comes to tax policy, we have asked for a July 1 implementation date, and all the data on personal property taxes paid by these companies on their equipment and on rentals is already available. It is going to go to the Department. It affords them plenty of time to review it, to compare what the rental fee will need to be to offset that loss of property tax, and then it gives them plenty of time. We are proposing by end of year—that is about 90 days to review and look at that for the Department, and I am sure there is somebody on the call who can speak to that specifically. I do not want to speak on their behalf. But they will have plenty of time to review the revenues, ensure it is revenue-neutral, set the rate accordingly, and again, that affords the consumer and the rental company predictability. That fee is in place. They know what it is. They can work with it. They are not going to get that whammy in the middle of the year to offset them. That also ensures revenue neutrality for all the municipalities, as Mr. Noonan indicated.

Chair Cohen:

We discussed this somewhat before the hearing, but I want to go through who is paying what. Right now, my understanding is that a customer comes in and they are not necessarily paying a tax, it is all included in what they are paying, and now they are going to be paying a tax. Is that correct?

Assemblyman Leavitt:

If you are asking will the consumer be paying more, the answer is no. Right now, when the consumer comes in, they rent a piece of equipment for a certain amount of money. What they are charged for, with that piece of equipment, includes whatever tax is placed upon the rental equipment company. The rental equipment company's rate of rental is included with that, as best as they can predict what that will be as far as the burden they will have to pay on that property tax. Moving forward, what this does is create transparency. Once the rate is set, the consumer comes in and they will actually pay a lower rate for the rental itself, but there will be a line-item fee that shows on their bill, so they know exactly what they are paying to whom and for what.

Chair Cohen:

How do we know that other businesses, not necessarily the businesses represented here today, are not going to use this as an opportunity to raise their prices because it is the same base price as before, and then just throw the tax on top of it?

Chris Ferrari:

The challenge, as Assemblyman Leavitt indicated, is that in business it is critical to anticipate, to the greatest extent possible, costs that you are going to face throughout the year. If I go back to my example of having 50 pieces of equipment that are traveling around the country, I may get 10 stuck in Nevada during that July period, but from a business perspective, I better count on 20 just in case, because I do not want to have that additional

expense. So that expense right now is being passed on to the consumer. I have to be extra careful about that. At this point we have something that is predictable, that is stable, there is no smoke and mirrors, and they are able to add it on as a line item.

On a broader economic scale, you are talking about a relatively low amount to that end user, which is usually more of a business-to-business, commercial-type transaction, and the market rates are going to dictate that. So if somebody is an outlier, they are not going to be successful in renting that equipment.

John McClelland:

I would say that the one-word answer to your question is "competition." As I mentioned, we have 17 member companies in Nevada and they are competing against each other very strongly. The idea that somebody would just arbitrarily raise rates and not face the competitive pressure from other companies is something that we economists think does not last for very long. You start losing business. You start losing utilization on your machines, and then you are paying a very heavy economic cost. This industry is extremely competitive, and I think it will continue to be when this bill is passed.

Chair Cohen:

I am still concerned for consumers. The competition is already there. Frankly, for a lot of consumers, they are not going to be checking the different locations and the different companies. If a consumer is doing a renovation on their house that would require renting this type of equipment, and because they are doing it just once, maybe they are not doing a whole lot of comparison shopping because they just need to get it done—it is part of a project. And even if they did notice there was a difference, they may decide this is the closest place and I do not have time to mess around, I am not going to be doing this again next week so I will just pay the extra cost.

Assemblyman Leavitt:

They could do that now. They could charge a higher rate if they choose to. Above and beyond that [unintelligible] fee they are paying that they are passing on to the consumer, at this point, for the property tax assessment, they could do that now. The reason they do not is because they have to compete and they have to be viable. That would be the downside of doing that, of trying to inflate your rental costs for that point, because they could do it now if they choose to. They could rent their equipment for whatever they want at this moment.

Chair Cohen:

I appreciate that. I would just say that it would not look like inflating the rental product right now to the consumer because the consumer would not necessarily know that a few months earlier, or a few weeks earlier, the tax was included. I have a concern that there is going to be a jump from what they are paying now, and now you can add taxes on top of it. Committee, I want to remind you we have Director Young from the Department of Taxation in case you have any questions, and we also have representatives from the assessor's offices, although I believe they are going to be testifying and not here just to answer questions.

Assemblywoman Anderson:

I know this is a policy committee, but in looking at the information that was presented, there are many counties that have put in information about a fiscal note. I know you had started on that, but if you could please explain that a little bit further to clarify why some of the counties are saying that this is not revenue-neutral, that there is a fiscal note being attached to it.

Chair Cohen:

The fiscal notes are on the bill as introduced.

Assemblywoman Anderson:

Thank you for that clarification. Do any of the amendments take away the fiscal notes?

Assemblyman Leavitt:

We worked with them. It became revenue-neutral by county, as we amended. We wanted to ensure each county was made whole and they were receiving the revenue they previously received. Yes, through the amendment [[Exhibit H](#)], that situation was resolved.

Assemblywoman Anderson:

I found the "Nevada's Tax System is Out of Sync with Other States," the map that was submitted as an exhibit, very interesting [[Exhibit K](#)]. Out of curiosity, how many of the other states that do allow for this language to take place already have an income tax of some sort to help fund their tax system?

Ed Noonan:

I would say most of these other states have similar taxes in place. If you think of states such as Oregon, that just put this same legislation in place two years ago, they do not have a sales tax today. Other states may have some other things, but I think the answer is most of these other states have taxes similar to what we are dealing with here in Nevada.

Assemblyman Hafen:

I want to follow up on Assemblywoman Anderson's last question. This is probably directed to our Fiscal staff. Nevada actually has a payroll tax, which is the modified business tax. Is that correct? Do these rental companies pay that?

Russell Guindon, Principal Deputy Fiscal Analyst:

Yes. Nevada has what is called the modified business tax, which is the tax that is based on the wages paid by an employer to their employees. This industry would be in what is called the "general business" or "non-financial business" category. On any quarterly wages that a business in this category pays to their employees that are over \$50,000 per quarter, they would pay the tax rate of 1.475 percent on that. To the extent that these businesses are meeting that threshold, then yes, they would definitely be subject to the tax and they would have a liability, given that their gross wages paid to their employees, less allowing health care deductions, were greater than \$50,000 for a quarter.

Assemblyman Hafen:

I did not mean to single out any particular business. I know that was probably out of place, and I apologize for that.

Assemblywoman Considine:

The way this is written, I understand that this is for heavy equipment, and because it crosses state lines, before it goes out of the county, this is one of the reasons why this bill has been created. Analogizing that to rental cars, and I do not know if rental car companies already have this setup, if this bill passes, would this then lead to rental car companies asking for the same type of setup?

Ed Noonan:

I think in going back and looking at the other states, this is in place for those companies in many states across the country today. I do not know specifically for Nevada. Maybe somebody could clarify that for us. Again, this is a similar situation as it is transient property—it is property that moves—and I would say that this property probably moves more across states lines than rental cars do on an annual basis.

John McClelland:

We know our equipment moves around a great deal. I do not know specifically in Nevada, but I do know that in other states rental cars do have a similar type of setup. Do not forget that rental cars are licensed vehicles and the equipment we are talking about are not plated vehicles. This is off-road equipment that is not operated on a highway and it does not have a license plate. So a lot of times their fees are paid through licensing fees and other things like that as opposed to a property tax like this one.

Assemblywoman Considine:

I was also thinking about moving vans and moving rental companies, but I can follow up on those.

Chair Cohen:

Why is the quarterly fee not being distributed quarterly versus having the Department of Taxation distribute it annually?

Ed Noonan:

We are open to working with the Department and any other stakeholders on this. That was language that was common in most states where it is done on a quarterly basis and done annually by the Department where it is remitted. We are open to suggestions, and if that is something the Department would like to do, we are open to it.

Chair Cohen:

As there are no further questions from the members of the Committee, we will move to those in support of A.B. 279.

Barry Duncan, Director of Government Affairs, Nevada Taxpayers Association:

We support A.B. 279 and the accompanying conceptual amendment [[Exhibit H](#)] as it simplifies our complex property tax system and provides for the implementation of the heavy equipment rental fee that would replace the taxes that are currently collected. The mechanism is also revenue-neutral. We believe it can simplify the system that is currently in existence and add greater certainty for the companies. We stand ready to work with the Committee, the bill sponsor, and all the stakeholders moving forward on the legislation.

Dan Nabrotzky, Vice President of Finance and Accounting, Sunstate Equipment Company, LLC:

Sunstate Equipment Company is a heavy construction equipment rental company providing equipment needs in the state of Nevada as well as other states [reading from prepared testimony, [Exhibit L](#)]. We have two rental branches in the state of Nevada. We have around 50 employees in the state. We have been providing equipment to the construction industry in the state of Nevada for over 30 years.

We are in support of A.B. 279. We concur with the comments made by Mr. McClelland of the American Rental Association and Mr. Noonan of United Rentals. We believe this bill will help stimulate economic activity in the state of Nevada and allow companies like Sunstate to continue to provide the support needed to invest in the construction needs of the state. The equipment we provide is critical for the success and viability of the construction industry, and this bill provides that opportunity to support the needs of the state.

[[Exhibit M](#) and [Exhibit N](#) were submitted but not discussed and are included as exhibits of the meeting.]

Chair Cohen:

As we are having complications with the next caller, we ask that they please call back. If they cannot get through, please send us your written testimony. Please proceed to the next caller. [There was no one.] We will proceed to those in opposition to A.B. 279.

David A. Dawley, Assessor, Carson City; and Vice President, Nevada Assessors' Association:

I am here today with Jana Seddon, Storey County Assessor; Michael Mears, Eureka County Assessor; and Doug Scott from Clark County. The Nevada Assessors' Association provided written opposition [[Exhibit O](#)] to the original bill this afternoon and did not see the conceptual amendment [[Exhibit H](#)] until after we sent our email. Unfortunately, we are still opposed to this bill as the amendment is conceptualized and we believe this will be creating a bad tax policy. The assessors will not be speaking on the revenue portion, just the methodology and process of calculations of the assets.

Article 10 of the *Nevada Constitution* calls for the uniform and equal rate of assessment and taxation and valuation of property. We believe this bill goes against every principle of that. By passing this bill, you would be creating a special class of equipment that does not provide for a special uniform and equal taxation. This is the second year this bill, or a similar bill,

has been introduced. We had been working with the lobbyist to try to come up with an agreement on this, but we were unable to.

During the 2019 Session, we were told rental equipment companies did not feel they should be paying property taxes on this because all their equipment was for sale, therefore it is an inventory item and should not be taxed at all, even though they were renting the items out and collecting a rental fee for that.

In Assemblyman Leavitt's testimony, he stated that rental companies are subject to two independent property taxes. I would like to clarify this because each company that owns equipment in the state of Nevada is subject to sales tax once they purchase equipment. If you have a company such as a copier company that actually leases equipment to anyone in the state of Nevada, they are subject to a use tax. The property tax is only a once-a-year tax and the lien date is July 1, so all the equipment in the state of Nevada as of July 1 would be taxable. As you all know, the devil is in the details, and in this conceptual amendment [[Exhibit H](#)], there are many devils. There is a lot of unclear stuff we would like to go through.

Nevada assessors are opposed to this bill because the heavy equipment companies are creating their own taxation policy that would benefit them. The assessors are concerned that passage of this bill would cause unintended consequences that may be detrimental to the counties. Additionally, we are concerned that the heavy equipment rental fee rate will be set for life based on a one-year calculation, the 2021 calculation, of the rental gross receipts and the personal property taxes.

We are concerned the heavy equipment rental companies would potentially be treated differently than those that actually own their own equipment, such as construction companies. Even though a construction company may not be using their heavy equipment each and every day, they would be subject to taxation where the rental companies would not. We have a couple of other concerns and I will turn it over to Doug Scott down in Clark County to address some of these.

Doug Scott, Assistant Director, Clark County Assessor's Office:

I am testifying on behalf of the Nevada Assessors' Association. Article 10 of the *Nevada Constitution* establishes that law shall provide for uniform and equal rate of assessment and taxation. The mission at the Assessor's Office in Clark County is to perform accurate and equitable assessment functions to serve the public. This is a core value shared by assessor's offices throughout the state. This is what we live by and the standard by which we are held to. This is what taxpayers expect of us.

What we have before us today is a property tax exemption proposal similar to one that was introduced in the 2019 Session [[Assembly Bill 388 of the 80th Session](#)], only this time the pot is sweetened with a gross receipts tax, which claims to offset much of the loss in property tax revenue. Even if this proves true, it does not solve the problem that identical items of heavy equipment would receive two different forms of tax treatment, depending on whether

it is owned by a construction company or owned by an equipment rental company, so this runs against the grain of uniformity of taxation. This could open up opportunities for businesses to seek a more preferential method of taxation by finding loopholes in the law. For example, what is to prevent a construction company from creating their own rental company for purposes of renting equipment back to themselves in order to switch to a more favorable method of taxation?

We have concerns regarding the complexity of the bill and the additional burden it imposes on state and local government. If the goal is to introduce a new system of taxation that is truly revenue-neutral, then why have a system this complicated? Despite the 18 pages of this bill, there are still parts of it that are vague, subject to possible misinterpretation and unanswered questions. This could lead to appeals and the need for further regulatory processes. For example, the definition of "qualified heavy equipment," outside of the examples that are provided, is open to a lot of interpretation.

Assessors are charged with the responsibility of assessing all property while exercising caution and avoiding double assessment. If this system of taxation were enacted into law, assessors, at minimum, would need the ability to compare asset listings provided to the state to asset listings filed to the assessor to ensure they are mutually exclusive but collectively exhaustive. This could be better accomplished by mandating the list furnished to the state also be provided to the assessors for informational purposes only, and it would be helpful to have a requirement that serial numbers or asset identification numbers be provided along with each of the item descriptions of qualified heavy equipment so they can be cross-referenced if necessary. Nevada assessors believe the current method for assessing heavy equipment, rental or otherwise, is fair and equitable under the existing statutes.

Chair Cohen:

Do the members of the Committee have any questions for the representatives from the assessors? [There were none.] We will hear from the next caller in opposition.

Vinson Guthreau, Deputy Director, Nevada Association of Counties:

The Nevada Association of Counties (NACO) opposes A.B. 279 based on the fiscal impact to counties if it were to pass. This legislation would reduce personal property tax revenue to counties due to the exemption proposed. Some of the impacts for individual counties are outlined in the fiscal notes that were placed on the bill and are available on NELIS for the Committee. We are understanding of the amendment [[Exhibit H](#)], but without further analysis of the amendment from all our counties on the fiscal impacts, we have to oppose the bill as we understand it and as it is drafted. We also want to echo the comments from the assessors and are supportive of their opposition testimony.

Chair Cohen:

I want to confirm that you have not had the opportunity to review the amendment yet [[Exhibit H](#)], so you are basing this solely on the bill as drafted. If you could get back to me and let me know in the next couple of days if you have had an opportunity to review the amendment, and how that would impact the fiscals or anything else in your opposition.

David Dawley:

When Mr. Guindon sent the proposal to us, I did forward it to NACO.

Chair Cohen:

I thought Mr. Guthreau said they had not had the opportunity to have it vetted.

Vinson Guthreau:

No. Our counties have not had an opportunity to review the fiscal impacts. I do not remember when we got the proposal. What I am indicating in my testimony is they have not submitted fiscal impacts based on the amendment [[Exhibit H](#)].

Chair Cohen:

Is there anyone else in opposition? [There was no one.] We will now hear from those who are neutral on the bill.

Melanie Young, Executive Director, Department of Taxation:

We are neutral on this bill and have a couple of items in the conceptual amendment we think need to be clarified. We would like to put that on the record today. In section 2 of the conceptual amendment [[Exhibit H](#)], where the Department would compare the rental revenue to the property tax [unintelligible] in revenue neutrality, and section 4 of the conceptual amendment [[Exhibit H](#)] would require the Department to set a rate by July 1, 2022. Currently it is unclear to the Department if this is a one-time rate setting or if this would be the intent of an annual rate-setting process. This is a rate-setting process the Department does not currently do, and we would like some clarity on how that would work.

Chair Cohen:

We are going to have a round of questions after we finish the testimony in neutral. Members of the Committee, keep that in mind if you have a question of Director Young. Is there anyone else in neutral? [There was no one.]

Assemblyman Yeager:

My question is for the assessors. If I understand the testimony correctly it seems like the position is that this could lead to loopholes or inequitable taxing or a gaming of the system. It sounds like a lot of other states already tax in the way the bill advocates, and the National Conference of State Legislatures has advocated for this policy [[Exhibit I](#)]. Is there an assessor trade organization throughout the country, and are you able to weigh in on what other states are doing? Have you had conversations with other assessors? I am trying to figure out if there is something unique to the state of Nevada that makes you think this would be a bad policy when it seems like other states are doing it.

David Dawley:

I have never reached out to any of the other counties or any of the other states that have anything like this. The only way I know of other states having it is by the testimony of the lobbyist. There is a national organization, but we have never reached out to see if they are doing this at all.

Assemblyman Hafen:

This is a follow-up to Assemblyman Yeager's question, and to the bill sponsor. I wanted to clarify how many states currently have some sort of similar tax structure to your proposal.

Assemblyman Leavitt:

Right now, with the handout [[Exhibit K](#)], you can see that 44 out of 50 states have a tax policy similar to this, so it is not out of the realm of possibility and it is not a unique tax policy. It is not something that has not been done before that is out of the realm of possibility.

Assemblywoman Considine:

This question might be more for Mr. Guindon. I am wondering, if this were to pass, would there be any effect, or if there was, what effect would there be to the mining industry, since I know they use a lot of heavy equipment.

Russell Guindon:

I do not know if I have the ability to answer your question. Yes, you are absolutely correct, the mining companies use lots of heavy equipment. I do not know if they are leasing it versus purchasing it for themselves. I do not have that detail. I do not know if any of the assessors here would know anything about how the mines work with regard to the assessment of their personal property.

Chris Ferrari:

I wanted to let you know we are not doing this in a bubble and we have proactively reached out to the Nevada Mining Association. We did field one call from a member today. They are aware of the proposal and have had it in their possession since it was introduced, and also have a copy of the proposed conceptual amendment [[Exhibit H](#)]. We have been reaching out—upon the introduction of this bill and for the last couple of years; there are no shell games here. Everything is on the table and we are discussing this with everybody, including other states and what their policies are and any impacts. I am not aware of it, but certainly cannot speak on behalf of mining.

Michael A. Mears, Assessor, Eureka County:

It is a combination when it comes to mine assessments. I have mines that solely own all their heavy equipment. I have mines that completely rent all their equipment because they are using contract mining. I have mine sites that are a complete combination of both, where they have company-owned equipment but also have rented equipment they use at different times. That is one of the concerns I expressed when Mr. Dawley and I were discussing this with our association. That is where I look at the equitability here. I have a mine site that has owned equipment that is being taxed in one manner and valued in one manner as personal property, and then I have similar equipment on the same site that is now going to be valued and taxed in a different manner. I question the equitability, that it is the same equipment yet we are treating it differently, even though it is on the same site.

Chair Cohen:

When there was discussion about putting the language together for this and looking at other states, the quarterly versus annually I had asked about earlier, could you get us a copy of the language that was used?

Ed Noonan:

Yes, we would be happy to provide that.

Chair Cohen:

As there are no further questions from the members of the Committee, Assemblyman Leavitt, would you and your presenters like to make closing statements?

Assemblyman Leavitt:

I will turn the time over to John McClelland before I make my final statement.

John McClelland:

We appreciate the opportunity to be here today. I want to mention one more time, Nevada is one of six states that have not provided this kind of property tax relief to heavy equipment rental companies. I have been working on this issue since 2004. We have passed legislation similar to this in at least 20 to 25 states. Over the past 15 years, there has been a big change in the way states treat heavy equipment rental property because of the very specific aspects of that property that we have mentioned throughout the hearing today.

To date we have had no state try to amend or repeal the legislation that we passed in those states in the past 15 to 16 years. I would suggest this is not something that is out of the ordinary, and as mentioned, the National Conference of State Legislatures has come into full support of this legislation throughout the United States [[Exhibit I](#)].

Assemblyman Leavitt:

If you have ever sat through a hearing with me, I try to knock it out in about five minutes; however, this is not only an important issue, but it becomes a little complicated. I appreciate your staying engaged for this important measure today. We believe that streamlining a process for an industry that already has a high tax burden with the modified business tax and the commerce tax is very important for economic prosperity. Just to re-emphasize, this is not a proposed tax increase nor is it creating a new tax. Accordingly, this will not increase any burden on the consumer. The state and counties will be made whole as this is a revenue-neutral measure.

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

Chair Cohen:

I will close the hearing on A.B. 279 and open the hearing for public comment.

Jenny Phillips, Director of Tax and Compliance, Ahern Rentals, Inc.:

I tried to speak in support of the bill and experienced technical difficulties. I would like to take this opportunity to re-urge everything that the previous supporters—John McClelland, Ed Noonan, Dan Nabrotzky, and Barry Duncan—said [referring to [Exhibit Q](#)]. The bill would really be a good thing for the industry as a whole. It would eliminate quite a bit of tax inequality, sometimes up to the point of double and triple taxation on the equipment. As the spokesperson for Ahern Rentals, a heavy equipment company that has been in the state of Nevada for over 60 years and employs over 600 people, we strongly support this bill and fully understand the positive impact it would have on the economic development of the state as a whole.

Chair Cohen:

We are sorry for the technical difficulty, and we will have you marked as in support of the bill. We will hear from the next caller for public comment.

Cyrus Hojjaty, Private Citizen, Las Vegas, Nevada:

I want to give you some comments about taxation. I watched a clip from radio host Jenny Door [unintelligible], a well-known progressive radio show host, talking about the fact that how many large corporations dodged paying corporate income taxes and the problems continued to worsen in 2020. I do not think that the next bill is going to reverse the trend. Based on my research I find out that MGM Resorts International is one of them. I think it is disgusting how large corporations are paying lower tax rates than many small businesses and even middle-class people.

Basically, the way I see things at the federal and even state level is we have pretty progressive taxation. Our main sources of taxation are property taxes and sales taxes, and that comes from the people. The low-income folks pay a higher rate, percentage-wise, not dollar amount. I really wish this would stop. I really wish the one thing we could do is find other means of getting revenue while reducing other taxes, particularly sales taxes. Speaking about all this, I want to make sure, however, that we remain a low-tax state, because if we do not, it will backfire. We do not have a lot of Fortune 500 companies and wealthy people. Our main attraction to Nevada is our low-tax climate. This is why a lot of people are moving here, and if taxes go up, it will backfire.

How can we depend on the federal government to keep giving us funds? Can we have a debt-to-GDP [gross domestic product] ratio of 200 percent or 300 percent? Why should I pay taxes? We should talk about them. How long can this continue? What do you guys think? Can you keep relying on the Federal Reserve? These are issues that need to be talked about. How come our federally elected officials from both parties are not talking about this? Thank you so much and please consider this. Let us have a discussion and debate in the future about it.

Chair Cohen:

Do we have anyone else for public comment? [There was no one.] Are there any comments from the members of the Committee? [There were none.] Our next Assembly Committee on Revenue meeting will be Thursday, April 8, 2021. Please keep an eye out for the agenda with possible changes in bills and work sessions. We are adjourned [at 6:17 p.m.].

RESPECTFULLY SUBMITTED:

Gina Hall
Committee Secretary

APPROVED BY:

Assemblywoman Lesley E. Cohen, Chair

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

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

[Exhibit C](#) is a proposed conceptual amendment to [Assembly Bill 90](#), created and presented by Assemblywoman Benitez-Thompson, Assembly District No. 27.

[Exhibit D](#) is a proposed conceptual amendment to [Assembly Bill 90](#), presented and submitted by Mary C. Walker, representing Carson City, Douglas County, Lyon County, and Storey County.

[Exhibit E](#) is the Work Session Document for [Assembly Bill 20](#), dated April 6, 2021, presented and submitted by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit F](#) is the Work Session Document for [Assembly Bill 29](#), dated April 6, 2021, presented and submitted by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit G](#) is the Work Session Document for [Assembly Bill 368](#), dated April 6, 2021, presented and submitted by Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit H](#) is a proposed conceptual amendment to [Assembly Bill 279](#), submitted by John McClelland, Vice President, Government Affairs, American Rental Association; and Chris Ferrari, representing American Rental Association.

[Exhibit I](#) is a document adopted the Executive Committee Task Force on State and Local Taxation, National Conference of State Legislatures, titled "Principles for the Taxation of Business Personal Property," submitted by Assemblyman Glen Leavitt, Assembly District No. 23, regarding [Assembly Bill 279](#).

[Exhibit J](#) is a letter dated April 6, 2021, submitted by John McClelland, Vice President, Government Affairs, American Rental Association, in support of [Assembly Bill 279](#).

[Exhibit K](#) is a document titled "Nevada's Tax System is Out of Sync with Other States," submitted by Assemblyman Glen Leavitt, Assembly District No. 23, regarding [Assembly Bill 279](#).

[Exhibit L](#) is written testimony submitted by Dan Nabrotzky, Vice President of Finance and Accounting, Sunstate Equipment Company, LLC, in support of [Assembly Bill 279](#).

[Exhibit M](#) is a letter dated April 6, 2021, authored by Marlin Shaw, Vice President of Global Tax, Herc Rentals, Inc., submitted by Chris Ferrari, representing American Rental Association, in support of [Assembly Bill 279](#).

[Exhibit N](#) is a letter dated April 6, 2021, authored by Robert Yocum, District Sales Manager, United Rentals, submitted by Chris Ferrari, representing American Rental Association, in support of [Assembly Bill 279](#).

[Exhibit O](#) is a letter written and submitted by David A. Dawley, Assessor, Carson City; and Vice President, Nevada Assessors' Association, in opposition to [Assembly Bill 279](#).

[Exhibit P](#) is a document titled "Nevada's Heavy Equipment Rental Tax System Needs Reform," submitted by Assemblyman Glen Leavitt, Assembly District No. 23, regarding [Assembly Bill 279](#).

[Exhibit Q](#) is an email dated April 8, 2021, authored and submitted by Jenny Phillips, Director of Tax and Compliance, Ahern Rentals, Inc., in support of [Assembly Bill 279](#).