

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

**Eighty-first Session
May 18, 2021**

The Senate Committee on Revenue and Economic Development was called to order by Chair Dina Neal at 4:13 p.m. on Tuesday, May 18, 2021, Online and in Room 2149 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Dina Neal, Chair
Senator Julia Ratti, Vice Chair
Senator Moises Denis
Senator Ben Kieckhefer
Senator Heidi Seevers Gansert

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Alex Polley, Committee Secretary

OTHERS PRESENT:

Major General Ondra Berry, Nevada National Guard
Melanie Young, Executive Director, Department of Taxation
Shellie Hughes, Chief Deputy Director, Department of Taxation
Kevin Benson, General Counsel, Office of the Governor
Nick Vander Poel, Reno + Sparks Chamber of Commerce
Peter Guzman, Latin Chamber of Commerce
Andrew LePeilbet, Combat Wounded Veterans of the Purple Heart Nevada;
Disabled American Veterans; United Veteran Legislative Council
Mike Hadley, National Guard Association of the United States
Barry Duncan, Nevada Taxpayers Association
Bryan Watcher, Retail Association of Nevada

CHAIR NEAL:

We will begin the hearing on Senate Bill (S.B.) 440.

SENATE BILL 440: Creates a sales tax holiday for certain members of the Nevada National Guard and certain relatives of such members. (BDR 32-1111)

MAJOR GENERAL ONDRA BERRY (Nevada National Guard):

Senate Bill 440 will amend *Nevada Revised Statutes* (NRS) and create a sales tax holiday for certain members of the Nevada National Guard and certain relatives of members. *Nevada Revised Statutes* 372.7281 provides an exemption from certain sales and use tax for members of the Nevada National Guard who are called into active overseas service for the period during which the member is deployed.

Senate Bill 440 would amend NRS 372.7281 to revise existing language and create a sales tax holiday for members of the National Guard who are residents of Nevada but who have not been called to active duty. This tax holiday will occur over three days on the date Nevada Day is observed and the following Saturday or Sunday.

It has been more than one year since the Covid-19 pandemic ushered in the largest and lengthiest activation of the Nevada National Guard in its 160-year history. As the virus began to spread in March 2020, the Nevada National Guard entered an elevated and unprecedented role in leading the State's emergency response.

Nevada National Guard members volunteered for missions to include the logistical movement of personal protective equipment to front-line medical personnel, the distribution of food items to our most vulnerable resident populations, and the construction and employment of multiple mass community-based testing sites. Of the about 4,400 total uniformed personnel assigned to the Nevada National Guard, more than 1,400 citizen soldiers and airmen have been activated in direct response to the Covid-19 pandemic. Nearly 450 Guard members remain activated and are now facilitating multiple vaccine distribution sites across Nevada.

The citizen soldiers and airmen of the Nevada National Guard simultaneously conducted five major overseas combat deployments as well as positioned

hundreds of citizen soldiers and airmen to Washington, D.C.—standing sentry following the January 6 siege of the U.S. Capitol.

The Nevada National Guard has never been more engaged or visible within our communities. There have been 10,000,000 articles of personal protective equipment distributed to frontline first responders, 2,900,000 meals distributed to residents across the State, 860,000 Covid-19 tests conducted, 1,600,000 vaccines supported at multiple sites throughout the State and 628,000 vaccines directly administered to Nevadans.

Army Specialist Jermaine Longmire took the initiative to learn Paiute and Shoshone greetings to speak with tribal members as they arrived to Covid-19 testing sites. Longmire and other team members of the Nevada National Guard's mobile testing team lead 40 Covid-19 collection sites in remote locations across the State. These sites were significant in the State's ability to track, trace and stop the spread of the virus on tribal lands and in rural Nevada.

Not all Nevada Guard members responded to the pandemic in their military uniforms. Army First Lieutenant Sparkle McCuiston was one of the first citizen soldiers to engage in the fight against the Covid-19 virus. She responded in early March 2020 working as an infectious disease nurse at her civilian job in Clark County. Ms. McCuiston, with more than 240 Nevada Guard members, worked full-time as civilian critical-care medical professionals such as doctors, nurses, and dental technicians. Members of the Nevada National Guard commit to military duty in a part-time status while balancing civilian employment, family lives and higher education. Hundreds have been called away from full-time civilian jobs to assist the State's Covid-19 pandemic response.

Although there will be a small fiscal impact on revenue, the Nevada National Guard has been essential during the State's time of need. The tax holiday in S.B. 440 is an appreciated token of gratitude to the families of men and women who have sacrificed during this pandemic. Without reservation, these citizen soldiers and airmen from our very own communities will continue to lead Nevada through our recovery and beyond.

SENATOR KIECKHEFER:

Does the sales tax exemption include the State 2 percent?

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MELANIE YOUNG (Executive Director, Department of Taxation):

The entirety of the sales and use tax of a purchase will be waived, which includes the General Fund 2 percent.

SENATOR RATTI:

Are there any sales tax revenues obligated to bonds? Is there a risk of impinging on local-level bonds?

SHELLIE HUGHES (Chief Deputy Director, Department of Taxation):

The sales tax exemption would apply to everything, and bonds will be affected.

SENATOR KIECKHEFER:

Is there a process to evaluate family members for waiver eligibility? What documentation is required to verify eligibility, and is it a smooth process?

Ms. YOUNG:

A service member submits a form to the Department of Taxation that is signed by a supervising officer. These come through the National Guard, and are processed on an individual basis where a tax exempt certificate is signed and emboss stamped.

SENATOR SEEVERS GANSERT:

If a person is out of town during the holiday, do they have 30 days to use the sales tax exemption once they return to town according to section 4, subsection 2 of S.B. 440?

There will be members who are out of town during the tax holiday. Is S.B. 440 a one-time exemption or for a longer period?

KEVIN BENSON (General Counsel, Office of the Governor):

Section 4, subsection 2 of S.B. 440 cleans up the exemption in NRS 374.7285. The exemption only applies to National Guard members who are deployed overseas. It is difficult to utilize the tax holiday when overseas, and this allows the exemption to be used 30 days after members return to the United States. Section 4, subsection 2 is a separate section from the Nevada Day exemption in NRS 372.325.

SENATOR SEEVERS GANSERT:

There are National Guard members deployed outside of Nevada who are not overseas. I want to ensure members outside of Nevada, but in the U.S., can use the sales tax exemption in S.B. 440.

MR. BENSON:

Those members will be able to use the sales tax exemption for the Nevada Day holiday. Section 4, subsection 2 clarifies NRS 374.7285 to ensure members overseas can use the exemption 30 days after returning to the U.S.

SENATOR SEEVERS GANSERT:

Is the sales exemption in section 1 of S.B. 440 available for members who are overseas or out of Nevada?

MR. BENSON:

The exemption in S.B. 440 will be available for National Guard members on Nevada Day, but it will not be available 30 days after the holiday. This is a reason for including household members for the exemption in section 1, subsection 5, paragraphs (a) and (b) of S.B. 440. If members are out of Nevada, someone within their immediate household can use the sales tax exemption.

SENATOR SEEVERS GANSERT:

The effective date of S.B. 440 is July 1. Is this a temporary exemption?

MR. BENSON:

This is no sunset provision in S.B. 440. There is a sunset provision in Proposed Amendment 3403 ([Exhibit B](#)) that expires on June 30, 2051, to comply with Article 10, section 6 of the Nevada Constitution, which requires a specific expiration date.

SENATOR DENIS:

Do members apply for a waiver prior to the sales tax holiday?

MAJOR GENERAL BERRY:

Yes, a member will apply for it and use it.

CHAIR NEAL:

Senate Bill 440 applies to active duty National Guard members, relatives of a National Guard member and family of deceased members. What is the number of people eligible for the sales tax exemption?

MAJOR GENERAL BERRY:

There would be approximately 8,800 people eligible.

CHAIR NEAL:

What is the potential adverse loss in sales tax revenue through June 2051?

MS. YOUNG:

We estimated a worst-case scenario. There are 4,400 households, and if each family purchased a \$40,000 vehicle with the highest tax rate of 8.265 percent, the potential annual revenue impact would be \$14,500,000. Over a 30-year period, the impact would be \$435,300,000. This is a worst-case scenario where every family purchases a vehicle each year. This is highly unlikely.

CHAIR NEAL:

Senate Bill 440 exempts sales tax on everything from cars to books. I have discussed with Mr. Benson to scale back the sunset provision to have the sales tax holiday tied with the Covid-19 pandemic. The sunset provision has to have a rational relationship with the purpose of S.B. 440 to help with the pandemic.

We should reduce the revenue impact because \$436 million is significant. The sunset provision needs to be addressed to make the impact more manageable.

SENATOR RATTI:

Is the \$14.5 million the worst-case scenario and on the assumption that every eligible member purchases a car each year?

MS. YOUNG:

Yes. It is unlikely all eligible members will purchase a vehicle every year for the duration of 30 years. National Guard members will likely purchase an appliance. We have another estimate with a purchase of \$1,500 that would have a revenue impact \$545,000 per year at the 8.265 percent sales tax rate.

SENATOR RATTI:

It is unpredictable what purchases will be made during a sales tax holiday. There have been sales tax holidays for teachers in the past. Is there any data from prior sales tax holidays to provide some further insight?

MS. YOUNG:

There is not. Taxpayers would encompass any exempt sales as a total number on a tax form. We are not certain if a tax form was for a regular exempt sale of a business that uses a product in its production. That information is not separately delineated.

SENATOR RATTI:

Is it fair to say if there is a bump over the Nevada Day holiday the next couple of years, we will have a sense of the revenue impact?

MS. YOUNG:

I agree with that statement.

SENATOR SEEVERS GANSERT:

Is the first degree of consanguinity with National Guard members and their children or members and their parents?

MR. BENSON:

It is both. First degree of consanguinity includes immediate family—both parents and children.

SENATOR RATTI:

Does first degree of consanguinity include spouses?

MR. BENSON:

Yes, it does.

NICK VANDER POEL (Reno + Sparks Chamber of Commerce):

We support S.B. 440. We support providing a sales tax holiday for people who have served in the Nevada National Guard and during the pandemic.

PETER GUZMAN (Latin Chamber of Commerce):

We support S.B. 440. The Nevada National Guard helped Nevada during the pandemic by setting up infrastructure, administering vaccines and providing

meals. The sales tax holiday will be a reminder that we appreciate service members' service and sacrifice.

ANDREW LEPEILBET (Combat Wounded Veterans of the Purple Heart Nevada; Disabled American Veterans; United Veteran Legislative Council):
We support S.B. 440.

MIKE HADLEY (National Guard Association of the United States):
The National Guard Association of the United States supports S.B. 440. Its primary mission has been advocacy for National Guard soldiers and airmen. We want to make sure there is a fair advantage in terms of equipment, training and policies to take care of Guard members and their families. Over the last year, they have participated in a multitude of missions including overseas operations, Covid-19, firefighting, hurricane response and civil unrest.

Senate Bill 440 is an innovative way for the State to say "thank you" to the Nevada guardsmen who have done so much for the Nation, State and their communities. Measures like S.B. 440 are not unprecedented. There are other states that have found ways to show appreciation. This includes: reduced Department of Motor Vehicle fees, income-tax exemptions for retiree pensions, in-State tuition assistance, free or reduced hunting and fishing licenses and licensure parity for military occupations to civilian trades. Initiatives like S.B. 440 enhance morale and provide overall satisfaction with service.

BARRY DUNCAN (Nevada Taxpayers Association):
We oppose S.B. 440. Our concern with S.B. 440 is not with the policy of providing a sales tax exemption for Nevada National Guard members, but rather the legal precedent and consideration of future exemptions. While S.B. 440 is based on NRS, our focus is the 2 percent State portion.

Under Article 19 of the Nevada Constitution, a law approved by referendum can only be amended by a vote of the people. As the sales and use tax was approved by referendum, it can only be modified by referendum.

We recognize that Article 10, section 6 of the Nevada Constitution, as referenced in the amendment, allows the Legislature to enact an exemption to sales and use tax if certain conditions are met. Any exemption to the 2 percent State portion of sales and use tax in NRS 372 must be approved by voters.

Article 10, section 6 permits a sales and use tax exemption for all of the combined rate, but with the exclusion of the State 2 percent in NRS 372.

BRYAN WATCHER (Retail Association of Nevada):

The Retail Association of Nevada is neutral to S.B. 440. We want to add frontline essential workers to S.B. 440. Retail clerks have been working during the pandemic since March 2020. Corporations and companies have spent billions of dollars to increase salaries and bonuses. If the intent of S.B. 440 is to recognize and help those who went above and beyond during the pandemic, other frontline workers should be included.

We share concerns with the Taxpayer Association with how Article 10, section 6 of the Nevada Constitution goes hand-in-hand with Article 19, section 1, subsection 3 whether the Legislature is able to remove or exempt the 2 percent tax. We do not believe that it can.

The legislative history and intent of Article 10, section 6 was to have a bifurcated system. Article 10, section 6 of the Nevada Constitution allows the Legislature to remove or exempt all sales tax, except for the State 2 percent sales tax. Exempting all but the State's 2 percent will make S.B. 440 constitutional. Article 10, section 6 of the Nevada Constitution requires a bona fide social or economic purpose for an exemption. We share the concerns of Chair Neal with the 30-year sunset provision.

Article 10, section 6 of the Nevada Constitution allows the Legislature to pass a bill and put it on the ballot to request an exemption to the 2 percent State sales tax. This will satisfy Article 19, section 1, subsection 3 of the Nevada Constitution.

MAJOR GENERAL BERRY:

A sales tax holiday is an asset for recruiting. The Nevada Military Department has an opportunity to expand. Having more offerings for recruits is an advantage to the National Guard.

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CHAIR NEAL:

Seeing no public comment, the meeting is adjourned at 4:57 p.m.

RESPECTFULLY SUBMITTED:

Alex Polley,
Committee Secretary

APPROVED BY:

Senator Dina Neal, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Begins on Page	Witness / Entity	Description
	A	1		Agenda
S.B. 440	B	1	Kevin Benson	Proposed Amendment 3403