

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

**Eighty-Third Session
May 22, 2025**

The Committee on Revenue was called to order by Chair Shea M. Backus at 2:20 p.m. on Thursday, May 22, 2025, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 1 of the Nevada Legislature Hearing Rooms, 7120 Amigo Street, Las Vegas, Nevada. Copies of the minutes, including the Agenda [[Exhibit A](#)], the Attendance Roster [[Exhibit B](#)], and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/83rd2025.

COMMITTEE MEMBERS PRESENT:

Assemblymember Shea M. Backus, Chair
Assemblymember Venicia Considine, Vice Chair
Assemblymember Reuben D'Silva
Assemblymember Tanya P. Flanagan
Assemblymember Danielle Gallant
Assemblymember Heather Goulding
Assemblymember Ken Gray
Assemblymember Gregory T. Hafen II
Assemblymember Duy Nguyen
Assemblymember PK O'Neill
Assemblymember Erica P. Roth

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst
Susanna Powers, Deputy Fiscal Analyst
Kathryn Dodge, Committee Manager
Lori McCleary, Committee Secretary
Cheryl Williams, Committee Assistant

Minutes ID: 1150



OTHERS PRESENT:

Yvonne M. Nevarez-Goodson, Chief Deputy Executive Director, Executive Division,
Department of Taxation
Guy Childers, Deputy Executive Director, Compliance Division, Department of
Taxation
Kathy Fey, Tax Program Supervisor III, Department of Taxation
Bryan Wachter, Senior Vice President, Retail Association of Nevada
Kerrie Kramer, representing National Association of Industrial and Office Properties
Andrew MacKay, Executive Director, Nevada Franchised Auto Dealers Association
Nick Schneider, Director, Government Affairs, Vegas Chamber
Russell Rowe, representing One Nevada Credit Union
Alexis Motarex, Director, Government Affairs, Nevada Chapter, Associated General
Contractors of Nevada
Misty Grimmer, representing Nevada Resort Association
Becky Dutro, Government Affairs Analyst, Nevada Taxpayers Association
Adriane Roberts-Larson, Deputy Executive Director, Administrative Services,
Executive Division, Department of Taxation
Shawnyne Garren, Recorder, Douglas County; and representing Recorders
Association of Nevada

Chair Backus:

[Roll was called. Committee rules and protocol were explained.] We have two bills on our agenda this afternoon, Assembly Bill 557 and Assembly Bill 594. We will take those in order, and I believe the Department of Taxation is going to be presenting both of those bills to us this afternoon. I will open the hearing for A.B. 557.

**Assembly Bill 557: Revises provisions relating to the Department of Taxation.
(BDR 32-1131)**

**Yvonne M. Nevarez-Goodson, Chief Deputy Executive Director, Executive Division,
Department of Taxation:**

I want to extend apologies for Director Hughes. We are splitting time today in various committees, so today I will be presenting Assembly Bill 557, which is a very simple bill that will provide a great return on investment to the state by creating a significant tool for the Department of Taxation to collect tax debts owed to the state. With me today I have the Department's Compliance Deputy Director, Guy Childers, and tax program supervisor III for revenue and collections, Kathy Fey, in Las Vegas to answer any questions the Committee may have related to this bill or collection activities of the Department in general.

This bill is brought forward to provide the statutory authorization in support of the Department's budget request and the Legislature's approval for the required software necessary to implement a data-matching system with financial institutions in Nevada for the collection of certain tax liabilities owed to the Department of Taxation.

This proposed language is identical to the existing law set forth in *Nevada Revised Statutes* (NRS) 353C.240, which authorizes the same data-matching systems for the State Controller in its efforts to collect other debts owed to the state. Chief Deputy Controller James Smack has graciously offered to attend the hearing in case the Committee has questions about the controller statute, which the Department intends to model here. While the State Controller has the authority to collect most debts in the state, the Department retains the authority to collect tax debts owed to the state.

Notably, the Department already has broad statutory authority to collect tax debts to ensure revenue collections for the state and to further ensure taxpayers are treated equally. The majority of businesses in this state pay their tax obligations timely. The Department's debt collection of those taxpayers who do not pay their taxes timely honors the taxpayer equitability established in the Taxpayers' Bill of Rights [NRS 360.291] for those who do so. Under existing law set forth in NRS 360.510, the Department often issues demands for assets of a taxpayer from a financial institution in possession or control of those assets for the delinquent tax debts owed by the taxpayer under certain circumstances. These are often referred to as bank withholds. This bill would simply provide a modernized and more efficient methodology to issue these notices and levies to these financial institutions.

Before turning it over for questions, I want to briefly summarize the provisions of the bill. Specifically, section 1 of the bill requires the Department to enter into agreements with financial institutions doing business in Nevada and which are regulated in Nevada to coordinate the development and operation of a system for matching data in order to collect tax debts. Under such agreements, the financial institutions would be required to provide the Department with the name, address of record, social security number, or other taxpayer identifying information of each person who maintains an account at that financial institution as identified by the Department. Thereafter, the financial institution will encumber those assets held by the institution to cover the debt and surrender them to the Department.

The Department would follow the same notice requirements set forth in NRS 360.510 for a notice of delinquency and demand to the financial institution to transmit assets under the bill. The Department will negotiate the details with the financial institutions in executing these agreements to address issues not specified in statute, for example, issues like data and privacy protections, and other retention schedules for such data.

Section 1 further provides immunity from civil and criminal liability for the financial institutions for disclosures of information to the Department of Taxation under this bill, including the encumbering and surrendering of assets to the Department. Section 1 of the bill also provides immunity from liability to the Department if a court orders any assets should be returned to a person.

In regard to liability, the Department, as opposed to the financial institutions, will enter into a contractual agreement with a software company, such as Informatix, to facilitate these asset transfers, including the determination of whether the financial institution has assets of the taxpayer. The software also has automated lien and levy processing. The software vendor

must comply with the requirements of Internal Revenue Service (IRS) Publication 1075 to ensure the highest standards of security, privacy, and confidentiality, and other federal guidelines to protect personal information. Any contracts the Department enters into with outside software vendors are subject to contractual requirements for all state agencies, including the required indemnity provisions governing law, data security breaches, required insurance, and other issues.

Section 2 of the bill provides that the Department may disclose what would otherwise be confidential taxpayer information to financial institutions to obtain the necessary financial records of taxpayers from those financial institutions. Specifically for reference, NRS 360.255 provides strict confidentiality provisions and restrictions against disclosure of any taxpayer data maintained by the Department. There are very limited circumstances in which such data may be disclosed for limited and discrete statutory purposes.

Finally, section 3 of the bill provides that the Department may request the financial institution to provide to the Department the financial records of customers in response to the requests under this bill. Again, the Department must also comply with IRS Publication 1075, which governs very strict protocols for confidentiality and privacy of data maintained by the Department. Moreover, the software companies must also do so if they enter into these agreements with the Department.

The Department is aware of approximately 22 states, 7 of which are streamlined states, that have similar legislation and use this software. Recent data the Department received from the state of Georgia includes that Georgia has about 300 financial institutions in the state, and its revenue agency currently has agreements with approximately 94 percent of them. Georgia uses the Informatix software, which does almost all the work for the agency in these larger bank withholds. Georgia also uses the GenTax software, which is the software the Department is using through its MyNT [My Nevada Tax] project as its integrated tax system via Fast Enterprises. Fast Enterprises is familiar with this program, and the development would be relatively easy. Since its implementation in 2022 in Georgia, Georgia has collected \$5 million from financial institution levies, they have matched over 130,000 different taxpayers, they have located funds of \$2.2 billion, and they have recorded liens on file of 225,000.

With that summary, Madam Chair, we would be happy to answer any questions.

Chair Backus:

Members, are there any questions?

Assemblymember Considine:

You mentioned Georgia collected \$5 million, but they found \$1 billion. Does the Department have any idea or estimate about the amount of debt Nevada would be able to collect using this?

Yvonne Nevarez-Goodson:

I do not have that information. I will defer to our deputy and tax program supervisor in the south if they might have that data; otherwise, we could follow up with the Committee about it.

Guy Childers, Deputy Executive Director, Compliance Division, Department of Taxation:

We did not just look at Georgia when we were talking about the funds of \$2.2 billion. Those are the funds they were able to look at. It is not the funds they captured. I also know other states, Wisconsin, Indiana, and I forgot the other ones, but they have also had success with the same program, and they have collected more than Georgia. In their totals last year, Wisconsin recovered approximately \$16 million. I just got information from Indiana, and they had \$140 million collected, but only 44 percent of that was through bank levies. That was a significant number. Each of these states has had very good success with this program.

Assemblymember Considine:

Nevada would not know what that would be yet, from what I understand. Since these are bank levies and most banks are national, does this allow for obtaining levies from financial institutions in Nevada even if the accounts are located in other states?

Yvonne Nevarez-Goodson:

The way the statute is currently written is, as those financial institutions doing business in the state of Nevada and are regulated by the State of Nevada, they would have the mandatory obligation to contract with the Department of Taxation. Where it is not otherwise preempted by federal law, it would be permissive for the Department to enter into those agreements with other financial institutions. We would likely pursue that with those willing to entertain those agreements with us that, again, are not preempted under federal law. Those institutions that might be regulated by federal law, to the extent there is any preemption, would be the restriction.

Chair Backus:

Do the financial institutions currently play any role in aiding the Department of Taxation with the collection of outstanding tax obligations?

Yvonne Nevarez-Goodson:

Yes. Under existing statute, NRS 360.501, the Department already has collection authority, and it currently issues what are referred to as "blanket withholds." Our tax program supervisor in the south could answer that more specifically. We do have existing authority; it is just not a mandatory program that would connect with our modernization system with these mandatory agreements. There is a lot more work involved in the blanket withholds. We have to issue them separately for the top five or ten institutions, and we go from there trying to find the assets. It is a more cumbersome and laborious process.

Chair Backus:

With respect to the obligations, like the situation with Georgia you used as an example, do you know if in those other states, whether the withholdings or the access to the outstanding debt has been over-collected? How much of the amount collected through this actually has been returned? I know there is a provision at the end to provide a means for that.

Yvonne Nevarez-Goodson:

I will defer to my colleagues in the south if they have any answers to that question.

Guy Childers:

Could you repeat your question?

Chair Backus:

With respect to the states already implementing the software with the financial institutions, I know there is a clawback provision for when the money has to be given back to the taxpayer. Do you know what the percentage of that is when it occurs?

Guy Childers:

I quizzed all the states on whether they had issues with situations where they had to give back money. They did not indicate any issues. In fact, they indicated they had no problems with the program and/or working with Informatix in this case.

Chair Backus:

This could be a broad question for you. Do you know how effective our current legal collection methods are in recovering owed taxes? How would you see it comparatively with implementing this new methodology?

Yvonne Nevarez-Goodson:

I believe our tax program supervisor, Kathy Fey, may have some relevant feedback.

Kathy Fey, Tax Program Supervisor III, Department of Taxation:

To give you an idea, we are very successful as far as collections go, but there is still a lot of uncollected tax out there. To give you an example, it says here that Georgia has 300 financial institutions. We probably have at least that many. The current way we do withholds is we only do them to banks. We do not do it to the investment companies or other places because we are not privy to their knowledge. That gives us another place to perhaps find some funds.

We have an example here where out of 574 withholds we did in a six-month period, we collected over \$1 million on 104 bank withholds. The other 300-plus withholds all came back with "no account found," "no funds available," or "account closed." What this will help us find are the businesses that have switched banks and have not disclosed that to us, and in general, being able to not send out withhold requests to banks that are not going to give us any specific money. It is time-consuming for us and it is also time-consuming for the banks

because we send all these blanket withholds to all these different banks, and they all have to go into their system and look and let us know there were no accounts found. We have to wait for a response before we can try other banks, and they have to put out responses. Obviously, we get quite a few. Does that answer your question?

Chair Backus:

Yes. Obviously, this is not my area of expertise. I always think about in civil actions, collecting on judgments, but it seems through your statutory authority, you have a different means of doing collections. You did answer it with what is going on right now. It sounds like you are successful, even though there may have been a lot of time in doing it, because you were getting a lot of responses that there are no longer any accounts at certain financial institutions. Your answer was \$1 million out of the 104 banks.

Seeing no other questions, we will open the hearing for testimony in support of A.B. 557. Is there anyone in Carson City, Las Vegas, or on the phone wishing to provide support testimony? [There was no one.] We will move to testimony in opposition. Is there anyone in Carson City wishing to provide opposition testimony to A.B. 557?

Bryan Wachter, Senior Vice President, Retail Association of Nevada:

Unfortunately, we are here in opposition to Assembly Bill 557. We believe this precedent, even though there is a very specific, limited use case in the Controller's Office, is something we do not believe we should be going down the road with in Nevada. You have heard in this legislative session multiple times the difficulty and the extenuating circumstances when it comes to debt collection. We feel some of those same standards should be applied here. For instance, if you are a small retailer and you have small margins to begin with, perhaps the money sitting in that bank account is meant for your payroll, or to be paying your bills, or to pay your rent or utilities. Should that money be taken out without notice very quickly from your bank account, you may be unable to make your payroll. You may be unable to continue your business at all, which will put you further in an inability to pay the state back.

This is a dramatic departure from how the state usually deals with extraordinary circumstances and debt collection. Normally, every so often we have a period of time where we allow a tax amnesty program, which usually brings those people out of the woodwork and brings those businesses back to be as compliant and up-to-date as possible.

We do think there are some due process considerations. The bill also contemplates what happens when the tax department takes money that maybe was not owed to them or has been adjudicated, and I think that needs to be underscored. It also says the Department is held harmless in the event of any of those adverse consequences to a business if that money was taken in a way that perhaps it should not have been, or as the bill contemplates, is ordered to be returned by a court. We think that underscores that obviously things are going to be a little bit wrong because it is built into the bill. We think this is an extraordinary step for very little return. We urge you to oppose the bill.

Kerrie Kramer, representing National Association of Industrial and Office Properties:

Unfortunately, we are also in opposition to this bill. This bill is a violation of due process. Deprivation of life, liberty, and property must be preceded by notice and an opportunity for a hearing. This bill allows the Department of Taxation to collect debts through seizure without obtaining an order, allowing them to do so, and also absolves the Department of Taxation of any liability if they are wrong, which is also a constitutional violation.

To that end, the bill is a solution without a problem. Existing law and judicial processes allow the Department to seek this information through the courts as part of a debtor exam once the debt has been proven and ordered to be paid by a court. This bill is a violation of the person's right to privacy, as the information it seeks is inherently protected. For those reasons, we are in opposition to this bill.

Andrew MacKay, Executive Director, Nevada Franchised Auto Dealers Association:

We, too, are in opposition to this bill. Quite frankly, there are some unknowns in this bill in terms of how it is going to impact us. I think the impacts are pretty negative, and I will briefly lay them out. Our dealers are deemed to be financial institutions pursuant to federal law under the Graham-Leach-Bliley Act. As part of that, we are subject to the federal Safeguards Rule. In a nutshell, the Safeguards rules are related strictly to data security and ensuring our customers' information is protected. Contained in the Safeguards rules, there are provisions that require we protect that data and encrypt it in data-in-transit. We are on the hook if anything goes wrong with that. Data-in-transit is data included in its movement between systems, devices, locations, as well as when it is stored on a system. Our concern is if that information is transmitted, are we going to ultimately fall into a trick bag and have a violation of the federal Safeguards Rule?

Section 1, subsection 4 of the bill indicates there is immunity from it. However, I would submit that if we create a violation of the federal Safeguards Rule, that immunity simply would not apply. The penalties for violation of the federal Safeguards Rule are really steep. I believe right now, it changes every year, but I believe it is about \$57,000 per violation. Simply due to the fact of the unknowns on this and the potential ramifications of our dealers being caught up in this, we oppose it.

I do want to put it on the record, Madam Chair, we greatly support the efforts of the Department of Taxation for collecting what is paid to the state and for what taxpayers are responsible for paying. I submit this is not the proper methodology.

Nick Schneider, Director, Government Affairs, Vegas Chamber:

We echo a lot of the concerns you have heard so far today. We also appreciate the efforts of the Department of Taxation. I want to highlight the issues with due process as well as underscore in section 1, subsection 5, the Department of Taxation being held harmless for the wrongful seizure of assets is a major concern, especially because something like that would

be very disruptive to business operations and would have lasting damages. This, coupled with the potential for data leaks per the process in section 1, subsection 3 to provide quarterly reports with no provisions for liability in the case of a data breach, do highlight to us a lack of guardrails that gives a lot of latitude to the Department of Taxation with no accountability.

It is the Chamber's opinion that passage of this bill would erode consumer confidence and hinder economic development in our state, as Nevada would be perceived as both overly aggressive in its financial enforcement, but also very clearly not open for business. We urge your opposition.

Russell Rowe, representing One Nevada Credit Union:

One Nevada Credit Union, Nevada's largest state-chartered credit union, is here in opposition. I would like to note at the outset, we have not had an opportunity to speak with the proponents of the bill, so we do offer our apologies. We have not had an opportunity to get with them yet.

Our concerns, and many have already stated some of them, but largely this seems to put us in the position of tax collectors on behalf of our customers, many of whom are small businesses, working families. We have programs helping families manage their finances down to the double digits. This really is concerning where this places us, vis-à-vis our customers and the impacts on them. We do look forward to working more with the Department of Taxation on this bill and maybe there is a way to reach the intent without harming our customers.

Alexis Motarex, Director, Government Affairs, Nevada Chapter, Associated General Contractors of Nevada:

We share the concerns already articulated by my colleagues and are opposed to the bill.

Misty Grimmer, representing Nevada Resort Association:

We also echo the concerns expressed by the Retail Association of Nevada, the Vegas Chamber, and others. Not only are we some of the state's largest taxpayers, but similar to the comments of Mr. MacKay, our properties are considered financial institutions. This also puts us in the position of putting our customers' data potentially at risk or, similar to what Mr. Rowe said, being in the role of tax collector.

We also look forward to working with the Department to see if there are some guardrails that can be put around the bill, but currently, we are in opposition.

Becky Dutro, Government Affairs Analyst, Nevada Taxpayers Association:

Although we recognize the potential need for additional collection tools, we have multiple questions and have not had time to thoroughly evaluate the unintended consequences this bill may create. Good tax policy should include transparency. A new provision should not be implemented quickly without sufficient stakeholder input and guardrails in place to protect taxpayers from hardships, unintentional mistakes, or errors of the Department.

We also have concerns over whether this bill would create compliance issues with the federal banking privacy laws, another issue that needs to be fully vetted. We also echo the sentiments of the previous testifiers.

[[Exhibit C](#) was submitted but not discussed and will become part of the record.]

Chair Backus:

Is there anyone else wishing to give testimony in opposition to A.B. 557? [There was no one.] We will move to neutral testimony. Is there anyone in Carson City, Las Vegas, or on the phone wishing to provide neutral testimony on A.B. 557? [There was no one.] Are there any closing remarks from the sponsors?

Yvonne Nevarez-Goodson:

Thank you for the opportunity to present some closing remarks. I just want to provide a couple of clarifications for the benefit of the Committee. First, when the concerns were raised about due process, these are going to be considered final debts of the taxpayer that have already proceeded through the entire appeal and due process efforts. Any tax determined, whether through audit or any deficiency, goes through the potential for a hearing before the ALJ [Administrative Law Judge], a redetermination by the Department, all the way up to appeal of the Nevada Tax Commission, and up through judicial review. We are not going to be issuing any levies against taxpayers who have not already gone through the entirety of due process and have been deemed a final debt of the taxpayer.

I also want to emphasize the Department already has statutory authority to issue these bank withholds in NRS 360.510. This bill is really intended to provide some efficiencies and the place to do so through this modernization, through these agreements with the financial institutions. Again, there is a lot of opportunity to negotiate these agreements with the financial institutions to ensure all the protocols are properly in place.

Also, I want to emphasize both the Department and any software the Department would utilize, are subject to IRS Publication 1075, which is a very strict security-privacy protocol. Every Department employee is fingerprinted and background checked under the requirements of this protocol. We have very strict boundaries in place under the requirements we comply with in IRS Publication 1075.

Finally, I want to emphasize this bill really does identically model existing law used to collect other state taxes. We modeled this language specifically after existing law set forth in NRS Chapter 353C. Again, I would be happy to answer any questions you might have.

Chair Backus:

I do not think we have any further questions. I appreciate your closing remarks. With that, we will close the hearing on Assembly Bill 557 and open the hearing on Assembly Bill 594.

**Assembly Bill 594: Revises provisions governing the Department of Taxation.
(BDR 32-1130)**

**Yvonne M. Nevarez-Goodson, Chief Deputy Executive Director, Executive Division,
Department of Taxation:**

I have with me today Adriane Roberts-Larson, Deputy Director of Administrative Services. Together we will be presenting an overview of Assembly Bill 594. To begin, I would like to defer to Deputy Director Roberts-Larson.

**Adriane Roberts-Larson, Deputy Executive Director, Administrative Services,
Executive Division, Department of Taxation:**

As this Committee is aware, the Department of Taxation is currently undertaking a large-scale modernization project to implement a new integrated tax system for the State of Nevada known as Project Modernize Your Nevada Tax (MYNT) or My Nevada Tax (MyNT) [[Exhibit D](#)].

With such modernization efforts come opportunities for the law to catch up with various modern applications. This bill is aimed at addressing four specific areas that will aid in the Department's modernization efforts, streamline taxpayer access and services, and ultimately save money for the state. This bill originated as a budget efficiency measure wherein the Department acknowledged the opportunity the system provided for certain long-term savings and voluminous mailing costs. Since its origination and having recognized some opportunities since the system's first implementation, the Department has brought forward three additional opportunities in this bill to support this modernization.

The first modernization goal relates to authorizing electronic notices to taxpayers through the new system. Second, with the new system, the Department is able to distribute revenues much earlier on a cash-accounting basis. As a result, the Department is requesting an earlier due date by approximately ten days for businesses to file and pay their sales and use taxes to the Department. This will ensure more timely distributions of revenues from specific filing periods.

Third, the Department has recognized outdated statutes when programming and configuring the new system for the upcoming implementation in December related to the North American Industry Classification System (NAICS) categories applicable to tax rates for the commerce tax. Finally, the Department seeks efficiencies and documents requiring notarization in electronic form through the new system and cooperation with county recorders to ensure such documents submitted for recordation, such as liens on real property and lien releases, are accepted from electronically notarized documents.

The Department's new tax system has the capability of communicating directly with taxpayers through their accounts in the system. You might liken this in your personal capacity to online banking, wherein you log into your bank account and perform various financial transactions. The bank notifies you of various activity on your account either as messages in your account or email notifications. With this capability, the Department seeks

the express statutory authority to communicate with taxpayers via electronic means for any notice, decision, or other written communication required by law unless the person expressly opts out of receiving such communications electronically or unless another provision of law requires such notice, decision, or written communication to be delivered by mail or personal service.

The electronic delivery of such communications is expected to result in a budgetary efficiency measure by savings in paper printing and mail delivery costs. The Department's budget to the Legislature included Decision Unit E233 with a savings of \$22,344 in each fiscal year of the biennium for these cost savings.

With regard to the opt-out provisions, the system's configuration informs taxpayers when they register for an e-services account through MyNT that they will be automatically enrolled in electronic communications and notices unless they expressly opt out and desire to continue receiving physical mail. In the experience of our vendor, which has implemented the system in multiple other jurisdictions, the majority of taxpayers prefer for all communications and information to reside in their e-services account. Again, section 1 of the bill provides such statutory authority for the Department to deliver various communications, notices, and decisions via electronic means, with express exceptions for those taxpayers who opt out of electronic service or where other provisions of law expressly require another method of delivery.

The methods of electronic delivery include delivery to the secure account of a person who has registered for an account in the Department's new electronic system, delivery via email by a person who has so consented, and posting of a notice, decision, or other written communication on an electronic network or Internet website of the Department, with delivery of a separate notice of such posting to a person's email address. Notably, existing law requires deficiency determinations for payment of taxes and the suspension or revocation of certain permits to be served by personal service or mail. Therefore, such communications may not be served electronically under this bill.

I would now like to turn the presentation back over to Chief Deputy Nevarez-Goodson to present the remaining provisions of the bill.

Yvonne Nevarez-Goodson:

As mentioned, I would like to present an overview of the remaining three modernization tools set forth in this bill. First, the bill deals with the NAICS code categories and codes applicable to businesses subject to the commerce tax, which are those entities with Nevada gross revenue exceeding \$4 million in a taxable year. Specifically, the tax rate for the industry in which the business operates is based upon the NAICS category assigned to the industry.

In configuring the commerce tax into the Department's new tax system for the next implementation in December 2025, the Department recognized existing statutes refer to the applicable NAICS categories from the 2012 edition of the publication issued by the U.S. Census Bureau. This publication is updated every five years, with the current version being the 2022 version. The Department recommends, for configuration purposes into the new system, the NAICS categories applicable to entities subject to commerce tax be based on the most current version of the publication. However, the bill creates an exception for any changes to a business's NAICS category that would result from an updated NAICS publication, including a rate change, without express statutory vetting and change by the Nevada Legislature. Accordingly, the bill requires the Department to review each new publication every five years to determine whether any industry categories would result in a change, and inform the Nevada Legislature for possible consideration of statutory changes in future legislative sessions.

Notably, between the 2012 version of NAICS set forth in existing statutes to the current 2022 version of NAICS, there has been a change to the identified categories for publishing; software and data processing; business category which includes business entities primarily engaged in motion picture and sound recording; publishing, except on the Internet, of newspapers, magazines, periodicals, books, and software; broadcasting, except on the Internet, such as creating content or rights to distribute content; and finally data processing, hosting, and related services. These changed categories are identified in the bill in section 5. This section would only be applicable to taxable periods after July 1, 2025.

Next, the Department seeks to revise the due date for remitting sales and use tax to the Department. Under current law, such sales and use taxes must be remitted not later than the last day of the month following the month the tax was due. For example, if a business entity collects sales tax in the month of May, it is due to be paid to the Department no later than the last day of June. This bill would revise the due date to the 20th day after the month the tax was imposed, or in our example, by June 20.

Again, the purpose of this change is to accommodate the modernization of the Department's reporting and distribution of revenues. The Department is able to distribute revenue much more efficiently in the new system on a cash-accounting basis. If sales and use taxes are reported before the end of a month, the distribution at the end of that month can include those payments from the prior filing period. This change would only be applicable to taxable periods after July 1, 2025.

The Department consulted with the Retail Association of Nevada and the Nevada Taxpayers Association for feedback regarding this proposed change. Based on most feedback the Department received, industry understands the reasoning and benefits behind this change to accommodate the new reporting and distributions. In fact, taxpayers who file in multiple states are subject to this earlier due date in other jurisdictions and will be readily able to accommodate this change. Nevertheless, to ensure a seamless transition, the Department will

educate and encourage taxpayers to comply with this new date immediately upon its effective date. However, the Department will implement a three-month grace period until September 30, 2025, wherein it will waive any applicable penalties or interest for those taxpayers who pay after the 20th of the month, but again, who still pay on time before the end of the month to encourage compliance with and acknowledge this change.

Finally, the Department seeks to establish statutory provisions to allow staff who are notaries to electronically notarize documents and require such documents to be accepted by county recorders for recordation. The Department's new system enables certain securely authorized employees who are notaries to attach electronic signatures and stamps to notarized documents through the system. Due to the inherent security protocols in the system and assurances that such secure documents are being transmitted by the Department of Taxation, the Department seeks to require county recorders to accept such documents without requiring the expense or additional requirements of becoming e-notaries.

With the implementation of the new MyNT system, the Department staff who are notaries are attaching electronic signatures on the documents requiring notarization, and these documents are then printed with the electronic image of the signature and mailed to recorders for recordation. Such documents include liens on real property for delinquent taxes, fees, penalties and interest, and releases of such liens on real property.

To accommodate the modern approach to preparing such documents for notarization, this bill seeks to remedy any issues or concerns recorders may have in accepting these forms of documents for recordation. Specifically, section 8 of the bill provides the manner in which electronic documents within the new tax system may be electronically notarized by Department staff who are already notaries with the Secretary of State. Such staff would be authorized to electronically notarize certain electronic documents without becoming registered specifically as electronic notaries public with the Secretary of State, which is both costly to the state and the Department and requires a \$10,000 security bond in addition to extra process and procedure.

The Department will continue to print a paper copy of the electronic document containing an image of the electronic signature and notarization for recordation with the county recorders. Because not all county recorders are currently set up to receive documents electronically from our system, the Department would continue to print those paper copies and send them in.

Finally, just to reiterate, section 14 of the bill ensures the provisions of the bill affecting the NAICS category changes and the revised due dates to sales and use tax are only applicable to the tax years commencing on or after July 1, 2025. Thank you, Madam Chair, for indulging us in that presentation. We are happy to answer any questions you may have.

Chair Backus:

We do have some questions for you. We will start with Assemblymember Goulding.

Assemblymember Goulding:

On page 4, you mentioned you are going to update the NAICS categories every five years. The examples you gave were all in industries that are in rapid change right now. How did you come up with five years?

Yvonne Nevarez-Goodson:

The five years was not a timeframe the Department came up with. The five years is done by the Census Bureau. Every five years, the Census Bureau issues a revised publication of the NAICS categories. The bill would have the Department, upon any new publication issued by the Census Bureau, review that publication to determine whether any categories have been changed, because that would then require a statutory change to what is currently existing in *Nevada Revised Statutes* (NRS) Chapter 363C.

Chair Backus:

I was looking at the Secretary of State's website. Some of my questions are going to pertain to the electronic notary from my experience with notarized documents.

I looked on line 1. To be able to perform electronic notaries, you have to already maintain your permit or license with the Secretary of State to be a notary. According to the Secretary of State's site, there is no extra bond that would be required. How would you foresee them getting the setup for the electronic notary? It sounds like that is part of the process you may need to accomplish through the Secretary of State. I do not know if we can simply skirt that aspect unless you are thinking it is an actual hard stamp, notary documents that are scanned. I am trying to decipher what it is you are trying to accomplish.

Yvonne Nevarez-Goodson:

Maybe an example would help clarify our intent. What this bill is intended to do is exempt the Department of Taxation's notaries from having to become e-notaries for purposes of certain documents we file, including liens and lien releases. What happens with our new system is, an employee who is an authorized notary with the Secretary of State is able to receive a document through a task in the system and look at that document. Any staff member is able to sign those documents electronically in the system. There is an electronic signature attached to that document for, in this case for example, a lien. That lien, which has been electronically signed by Department staff, needs to be notarized by a notary within the Department. As another task within the system, that notary can notarize the lien with an electronic signature and stamp through the system. What occurs then is there is a printed document with an electronic signature and electronic stamp for the notary. What we are trying to do is make that process more efficient and make it so the county recorders are comfortable accepting those liens. The bill is intended to basically say this electronic version of the notary and the signed document are acceptable by the county recorder without having to be a physically signed copy and then a physically signed notary. It can be done electronically, and the county recorders would then be required to accept those versions of the documents from the Department of Taxation.

Chair Backus:

As I am understanding how you are explaining this, basically the software the Department of Taxation is using, you could input the notaries with what their normal stamp would be with their notary number that is issued by the Secretary of State. You are almost creating the stamp for that notary. Is that what I am understanding?

Yvonne Nevarez-Goodson:

I do not want to say that firmly; I do not know for sure if they would be creating the electronic stamp. I think they would be able to have their automatic electronic signature included on the electronic stamp. But again, that is maybe a little bit technical for my knowledge. What I would say is, there are security protocols in place to ensure it is not just any staff member who would be able to attach an electronic notary stamp. It has to go in the task queue to the Department employee who is an authorized notary to be able to notarize these documents. There would be no risk of staff who are not authorized notaries issuing the notarized stamp.

Chair Backus:

It almost seems like someone's tasking, and they are passing it on. Normally, when someone signs a document such as a lien, you are doing that in front of the notary because you are attesting to what that person is signing. To me, it almost seems like someone could sign the forms, and then later on, someone has a task and has to do the notary. It does not seem like it would be the normal notary process everyone is used to and what the purpose of having a notary is.

Yvonne Nevarez-Goodson:

The language of this bill actually does still require the signature to be done in the presence of the notary. In our case, it will be simple in that we have notaries in each of our district offices and most of our staff know one another, so there would be no risk the notary being willing to sign and attest the person who signed it is present in that district office and can attest that it is that person who signed that document.

Chair Backus:

You talked about the three-month hold-harmless period. Would it not be easier to start the implementation date later to allow those to become in compliance with the new mandates instead of doing this three months and then have people potentially be on the hook if they did not know they had to get in by the 20th day and they pay by the 30th, then later on, their interest is waived. Would that be more efficient?

Yvonne Nevarez-Goodson:

We did consider that as an issue, but due to the reporting cycle and making sure we have distributions reporting as early as possible because so many taxpayers will be able to immediately comply with that new due date, we wanted to start that at the beginning of the fiscal year, which is why we put the July 1, 2025 date in there, acknowledging we will have

to do a pretty robust communication campaign with our taxpayers to let them know this change is coming. That is why we were willing to do the three-month grace period to allow time for that communication period to go in. The sooner we can get taxpayers reporting on this cycle, the more beneficial it will be for revenue reporting and for forecasting.

Chair Backus:

My last question is, will MyNT be up and ready to accomplish this as soon as July 20?

Yvonne Nevarez-Goodson:

Yes, we will be ready to accommodate that immediately.

Chair Backus:

Members, are there any other questions? [There were none.] We will open the hearing for testimony in support of Assembly Bill 557. Is there anyone in Carson City, Las Vegas, or on the phone who would like to provide support testimony? [There was no one.] We will move to testimony in opposition to Assembly Bill 557. Is there anyone in Carson City who would like to provide opposition testimony?

Shawnyne Garren, Recorder, Douglas County; and representing Recorders Association of Nevada:

I am here today speaking in opposition to this bill on behalf of the Recorders Association of Nevada for the following reasons: *Nevada Revised Statutes* 247.115 currently authorizes recorders to accept electronic documents for recording. *Nevada Revised Statutes* 247.117, which was just passed in 2021, provides a method of papering out that provides for consistent and equal application of the law regardless of who is submitting the document for recording. For clarity, "papering out" refers to a statutory process of converting an executed and notarized electronic document in tangible paper form for submission to record by traditional recording procedures. This process is consistent with best practices established through the Property Records Industry Association, a national association that exists to establish and support standards and best practices within our industry with careful consideration of each of the stakeholders in the process. Additionally, NRS 240.19902 provides notarial language sufficient for certifying a paper document as a true and correct copy of an electronic document that needs to be recorded in hard copy form for any variety of reasons.

Currently, all 17 county recorders' offices across the state have one or more approved electronic recording partners that allow for secure submission of documents to be recorded. In its current form, A.B. 594 would create inequities in how documents are accepted and processed.

As such, the Recorders Association of Nevada is opposed to A.B. 594 as it pertains specifically to section 12. We respectfully request the deletion of section 12 and to have the established papering out process be followed if hard copy recording is required or desired until such time the most efficient and cost-effective government-to-government electronic

recording submission process can be established. Once established, this solution can also be made available for other state agencies that submit documents for recording to utilize, regardless of whether those documents are executed and notarized electronically or in traditional wet-ink format.

I think it is also important to note, as stated, all 17 counties already have electronic submission capabilities, so we would be able to accept those as soon as the Department decides to go forward. We are happy to work with them on that. The specification of government-to-government as opposed to business-to-government, which is traditionally what we see, might be a matter of adjusting fees. We would work with our partners and see if we can get a reduced cost for that submission so you are not just exchanging mailing cost for submission cost.

Chair Backus:

Before you step back, I have a question for clarity. You mentioned a section that should be stricken—section 12. However, the bill only has four sections. I even looked for subsections and I did not see a section 12. Could you point me specifically to the language you were commenting on? Never mind, please disregard.

Shawnyne Garren:

I know it is contrary to standard practice, but if there are any questions the Committee members have with regard to the established practice and how e-recording works, I am certainly happy to answer those.

Misty Grimmer, representing Nevada Resort Association:

There is only one section of the bill we have a concern with; otherwise, we are definitely looking forward to the modernization system the Department is rolling out. That section is about the implementation date of the change to submitting taxes on the 20th as opposed to the end of the month. That is going to require a significant IT [information technology] change, essentially, for several of our properties. While we do appreciate the grace period being offered, similar to the Chair's question, we would also request that portion of the bill could have a later implementation date so we have some time to change our internal systems. I was going to leave my name and information with the proponents so we can continue that discussion further on both of the bills [Assembly Bill 557 and Assembly Bill 594].

Chair Backus:

Is there anyone else wishing to provide opposition testimony on Assembly Bill 594 either in Carson City, Las Vegas, or on the phone? [There was no one.] We will move to testimony in neutral.

Bryan Wachter, Senior Vice President, Retail Association of Nevada:

We are neutral. We understand the intent here. We did want to put on the record, and I think it was mentioned by the National Retail Association and also you, Madam Chair, that there is going to be kind of an adjustment period. We do not see the three-month grace period built into the bill. That might be something the Department of Taxation can do on their own, but we would appreciate if there was something in the bill on this.

In regard to section 4, our question for the Committee would be, if this change going from the 2012 to the updated version of the NAICS categories, if that results in additional revenue to the state, we need to make sure that is fulfilling all of its constitutional requirements in the bill, just because we have not been able to take a look at what those different changes are going to be. I may misunderstand this at the late hour that we are contemplating an additional conversation with the Legislature at a different date in order to do that, but the way we read it is, we are adopting a new addition here and then giving the option for the Legislature to continue to do that or must do that in the future. We want to make sure we understand fully what those tax consequences are going to be should businesses be reorganized or reclassified into the system currently. We do appreciate the Department having reached out. We had very fruitful conversations, so we want to be a part of the solution, and we look forward to seeing the bill progress.

Becky Dutro, Government Affairs Analyst, Nevada Taxpayers Association:

The Nevada Taxpayers Association is neutral on this bill. We thank the Department for the continued dialogue with the Association. We do want to point out good tax policy should be simple and easy to understand, as well as transparent and visible.

Regarding sections 4, 5, and 13, we support the change in the language to reference the most recent addition of NAICS categories and have been assured by the Department this change will not negatively affect any current taxpayers.

Regarding sections 6 and 7 and the change of the due date for sales and use tax, we have the same concerns about the July 1, 2025 effective date, as this is a very short amount of time for taxpayers to receive communications detailing the change as well as making any financial system or accounting cycle changes. While most large businesses may be able to quickly make this change, we are concerned smaller businesses who rely on manual systems or outside bookkeeping or accounting companies may not be able to make the necessary changes as quickly. We have discussed these concerns with the Department and are hopeful they will work with taxpayers and make reasonable exceptions past the first quarter for those who do not receive sufficient notification or are unable to make the necessary changes to their accounting systems or cycles in the short amount of time.

Additionally, if this change is approved, there will need to be an evaluation of all taxes to ensure there is consistency in the administration to alleviate any confusion the taxpayer may have regarding due dates or differing due dates. For example, the Governor's Office of Economic Development's Senate Bill 461, being heard in the Senate today, still references

due dates of the last day of the month. Obviously, since this change has not been effectuated yet, any new legislation, as well as existing NRS, will need to be reviewed for consistency and changed in a very short period of time.

Again, we thank the Department for their continued dialogue, and we thank the Committee for your time and consideration.

Chair Backus:

Seeing no one else in person wishing to provide neutral testimony, is there anyone on the phone wishing to provide neutral testimony on Assembly Bill 594? [There was no one.] I will invite the Department for closing remarks. If you could include in your closing remarks—I know a lot of these were budget implementation bills—how the policy is important for some requested changes you may have. There is a lot of stuff going on in this bill, so I was not sure exactly what it is you need out of the bill.

Yvonne Nevarez-Goodson:

To your last question, I would say the specific budget request here relates to the electronic written communications. That was an efficiency measure the Department included within its budget of approximately \$23,000 per fiscal year. That really was an efficiency measure the Department believed it would gain right off the bat with the authorization to do these electronic notices when there was not an opt-out or a statute that otherwise required it. That was the only budget piece.

Not part of our budget, but the other issue we were addressing with our updated reporting and distribution structure was the reason behind the sales and use tax due date being changed so we could better align our distributions more efficiently with the filing periods at issue. When we switched from an accrual-accounting basis to a cash-accounting basis, what resulted was certain filing periods were then distributed over two periods. We believe with this change, those distributions can occur within the same revenue period. We think that is a great outcome for the Department in terms of its ability to forecast for the Economic Forum and so forth.

Those were really the only two ties this bill had. What came into this bill after the efficiency measure were the NAICS code provisions as well as the provisions for the electronic notaries. We do not have a specific budget tied to those particular provisions.

Chair Backus:

I appreciate that. If you would like to make any other closing remarks, because I know you have heard some other comments made on the record.

Yvonne Nevarez-Goodson:

One thing I would say about the NAICS code change, this bill, in its current version, does not result in any rate changes to any taxes. The reason it is written the way it is, which is we come back to the Legislature, is there is the potential that if the Census Bureau changes an industry category or code, it could result in a rate change to a particular business entity, and

that would then, as my colleague referred to, be a potential constitutional change in a future bill and could require a two-thirds vote out of the Legislature for a rate change that increases revenue. That is why we have that provision in the bill to come back to the Legislature when we identify changes in any updated publication that could result in a rate change to any business category. It would then be up to the Legislature to decide whether it would make that rate change applicable to that business going forward. If not, then the existing category and code for that business would remain in effect going forward until the Legislature chose to change it.

Finally, we would be happy to work with our county recorders on this issue. The entire goal of this legislation was to ensure our notaries did not have to become e-notaries in order to electronically notarize these documents, and also to get some consistency among the county recorders. What we were experiencing when we were issuing these liens out of the new system was certain county recorders were refusing to accept them, and others were. We thought by doing this approach, we could gain some consistency. I would be happy to work with my colleagues in the counties to ensure we are aligned on that issue.

Chair Backus:

I know we are coming to the end of session, so I may reach out to you after this hearing to figure out what we are going to do. I think there needs to be a little cleanup. With that, I will close the hearing on Assembly Bill 594.

The next item on our agenda is public comment. Is there anyone wishing to provide public comment this afternoon, either in Carson City, Las Vegas, or on the phone? [There was no one.]

That concludes our hearing this afternoon. We are adjourned [at 3:29 pm.].

RESPECTFULLY SUBMITTED:

Lori McCleary
Committee Secretary

APPROVED BY:

Assemblymember Shea M. Backus, Chair

DATE: _____

EXHIBITS

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 557	C	Susan Bauman, Executive Director, Nevada Independent Insurance Agents; and Jared Rossi, Legislative Chair, Nevada Independent Insurance Agents	Written testimony in opposition
A.B. 594	D	Yvonne M. Nevarez-Goodson, Chief Deputy Executive Director, Executive Division, Department of Taxation	PowerPoint presentation titled "Assembly Bill 594, Assembly Committee on Revenue"