MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT

Eighty-third Session
March 4, 2025

The Senate Committee on Revenue and Economic Development was called to order by Vice Chair Fabian Doñate at 1:14 p.m. on Tuesday, March 4, 2025, in Room 2149 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 5 of the Nevada Legislature Hearing Rooms, 7120 Amigo Street, Las Vegas, Nevada. Exhibit A is the agenda. Exhibit B is the attendance roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Fabian Doñate, Vice Chair
Senator Michelee Cruz-Crawford
Senator Jeff Stone
Senator John C. Steinbeck

COMMITTEE MEMBERS ABSENT:

Senator Dina Neal, Chair (Excused)

GUEST LEGISLATORS PRESENT:

Senator Nicole Cannizzaro, Senatorial District No. 6

STAFF MEMBERS PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst
Christian Thauer, Deputy Fiscal Analyst
Connie Summers, Committee Secretary

OTHERS PRESENT:

Brian Gordon, Applied Analysis
Kevin Gern, Vice President, Risk Management, American Rental Association
Edward Noonan, United Rentals
Tray Abney, National Federation of Independent Business
Isaac Hardy, Associated Builders and Contractors, Nevada Chapter

Paul Moradkhan, Vegas Chamber
Joanna Jacob, Clark County
Cadence Matijevich, Washoe County

VICE CHAIR DOÑATE:
Today, we only have one item on the agenda, which is to hear Senate Bill (S.B.) 196.

SENATE BILL 196: Authorizes a heavy equipment rental company to charge a recovery fee to offset taxes levied on certain heavy equipment. (BDR 32-19)

SENATOR NICOLE CANNIZZARO (Senatorial District No. 6):
I am here today to present to you S.B. 196 for your consideration of what we have commonly referred to as the heavy equipment tax bill. This is maybe the third time we have presented this bill. I think we have made some very good progress for those of you on this committee who may remember this topic area from prior sessions.

Senate Bill 196 authorizes a heavy equipment rental company to charge a recovery fee to offset taxes levied on certain heavy equipment. Before going over the bill, I will provide a little bit of context and explain why this is a good piece of legislation.

As the law currently stands, Nevada assesses a full year of tangible personal property tax on any piece of heavy equipment in the State on July 1 of a given year, even if that piece of equipment is only in the State for one day. Nevada is one of only a few states continuing to use this form of taxation on heavy equipment. The vast majority of other states have moved to various forms of taxation or fees less onerous to businesses. In doing so, they have become more attractive places to do business. As this committee knows, in Nevada, we pride ourselves on being business-friendly; and as such, we continually search for the best ways to balance the need for revenue while maintaining a competitive advantage over our neighboring states. Senate Bill 196 corrects an imbalance that places an unfair burden on an important business sector for our State. In addition, we have, and the committee should have available, a conceptual amendment (Exhibit C) that removes subsections 2, 3 and 4 from section 15 in the original bill print.

I am proud to be joined today by Mr. Brian Gordon, and I am going to turn it over to him to not only explain the conceptual amendment in further detail, but also to allow for some additional discussion on the bill.

BRIAN GORDON (Applied Analysis):
I am a principal with a company called Applied Analysis. I'm here as an analyst on behalf of the Majority Leader in this bill to walk through key elements of what the bill does, its purpose and some related elements specific to the recovery fee stated in S.B. 196. I have a presentation (Exhibit D) of a handful of slides that I thought might be helpful to walk through. I think they've also been made available to you and are on NELIS [Nevada Electronic Legislative Information System].

The overview just provided is exactly what is in Exhibit D. The idea here is to allow heavy equipment rental companies to charge, if they choose to, a recovery fee in the amount of 2 percent of rental revenues to offset their personal property tax liability that they currently incur.

There are a total of five states in the United States that have not performed some other similar measure or that don't essentially tax personal property in this regard. In the state of Utah, I will mention this at the outset, their legislature has also approved a similar measure awaiting the governor's approval and signature, so that leaves about four states, including Nevada, that have yet to address or deal with this particular issue.

On the next slide, I wanted to walk you through defining what the industry is and what this equipment is. Each one of the line items are included in a specific section within the bill itself. I won't go through each reference. The easiest way is to summarize that these are for heavy equipment rental companies. This is their primary business. They hold this equipment either for rent or for sale. The rental period for this equipment is less than a year, and it is not open-ended beyond a 12-month period. A key element of defining this type of equipment and the companies is that these companies fall within North American Industry Classification System codes, which is how businesses are generally classified, in two specific categories that we have included in Exhibit D and also in the bill. Those are the types of companies that would be authorized to charge this recovery fee. What's not included is that companies cannot charge affiliates or other entities they control. This does not apply to equipment that includes an

operator or a driver of that particular equipment. Federal, state and local government agencies would be exempt from incurring this recovery fee.

Questions we get often are why we are doing this, why is this being proposed in other states and why is it being proposed in the State of Nevada. As you heard, in Nevada the personal property tax is assessed on July 1 of every year; so wherever that equipment is sitting on July 1, that is how it is assessed for the entirety of the year. This equipment tends to be very mobile and moves in and out of state. For periods when it is out of state, there is no relief related to the property tax liability that is incurred. It is paid for the entire year. If a piece of equipment moved from Nevada to Utah, for example, prior to an adjustment in the state of Utah, it has the potential to actually be taxed twice for two full years' worth of personal property tax despite it bouncing between multiple states. That is a key provision of why this bill is moving forward.

Why now? I mentioned a number of states have already implemented many of these reforms. You can see [in Exhibit D] the states that either don't have a personal property tax on this type of equipment or they've implemented some sort of reform across the board, like a recovery fee we're talking about or replacement excise tax that would be a substitute for that. There have been a number of different reforms over the better part of the last 20 years, but there is a handful of states that remain or have yet to move forward with any sort of revisions to this particular taxation methodology.

If we take a look specifically at a recovery fee which has been implemented in eight states—as I mentioned, Utah is also on the verge of approving this particular type of adjustment to their system—a number of states have gone through this over the last 15 years. Based on my conversations with the industry, they have not seen anybody come back and look to repeal or amend those specific laws that have been implemented in the states highlighted in the presentation, Exhibit D [page 6]. Nonetheless, this is very common and has been a common practice overall.

There have been some questions about how this impacts the overall personal property tax regime in the State of Nevada. County assessors will receive information about the equipment companies have. They assess it, the bills go out and the companies will continue to pay their personal property taxes as they have historically and will continue to do going forward. This does not affect county governments in terms of how they go through their process of assessing

personal property taxes on this type of equipment. What this would do is allow rental companies to opt in, if they so choose, to charge a 2 percent fee on top of the invoice that goes to their customer that would be stated on the invoice. That's how it is outlined in S.B. 196. It would be plainly included on the invoice for the customer to see. That money would then be held in a separate account by the equipment rental company. And that money could only be used to offset or cover the cost of their personal property tax liability. It cannot be used for any other purpose, and that is specifically stated in S.B. 196.

There are a few elements that there have been conversations about that I wanted to make sure we're clear in terms of what the bill does and does not do. This is permissive. I mentioned that this is not mandatory or required. This would be permissive based on what individual heavy equipment rental companies would choose to do. As I said, government agencies would be exempt from this particular recovery fee. This would not be a fee on top of a tax. This would be separate from that. There would not be a sales tax, for example, on the fee itself, so there's no pyramiding related to this particular fee. This also provides protections for both the rental companies and the consumers. They have somewhere to go to be able to identify how this is supposed to work. That is a key provision that is included in the bill. There's no fiscal impact for governments. I am going to repeat the amendment that was just discussed eliminating section 15, subsections 2, 3 and 4, which have a conceptual amendment, Exhibit C, that has been proposed. As a result, this would have no effect on local governments. And then there's still an auditing process that would be allowed for the Nevada Department of Taxation to review reports and audit businesses just like they have the rights to do today among any other number of taxes or fees and charges. That authority would still exist and is also included in S.B. 196.

SENATOR CANNIZZARO:
That concludes our presentation on the walk-through for S.B. 196.

SENATOR STONE:
I appreciate the transparency that you are trying to promote in this bill. I'm trying to understand the need for legislation. Why couldn't an independent operator call it an administrative fee—2 percent, 3 percent? That's the first question. The second question is how did you come up with 2 percent instead of 1.5 percent or 3 percent?

MR. GORDON:
Companies can do all sorts of things in terms of what they want to charge their customers. I think the industry has decided this is an opportunity to provide some guardrails around how this particular system would work, and this would limit various companies' ability to go out and charge exorbitant rates, for example. If somebody wanted to charge a 10 percent recovery fee or surcharge to cover their cost of some of these expenses, while others don't, this would provide some protections and oversight for the public and would essentially narrow in what would be possible as it relates to this recovery fee.

In terms of how we determined the 2 percent recovery fee, it was a fairly straightforward exercise. We had heavy equipment rental companies in Nevada provide to us on a confidential basis all the rental revenues they are generating on their equipment over the past four years, compared it to the amount of personal property tax that they are generating over that same period and simply did the math in terms of what that would generate. That was the ceiling in terms of the effective tax rate that would need to be charged to, in theory, cover the charges related to personal property taxes.

SENATOR CRUZ-CRAWFORD:
I know we're doing this to be business-friendly, and I appreciate that. With the July 1 date, do we typically lose money through this because companies are skirting that July 1 deadline? Is this going to bring more money to our State outside of the business with that tax? Or are people basically just working the system? Do we have any data on that?

MR. GORDON:
The short answer is no, we don't have data on that. I think the qualitative answer is that to the extent companies have equipment that is not being used, I suppose there's the potential that they would be incentivized to not have equipment in the State of Nevada on July 1. If that's happening and to what extent, I don't know. But clearly, that is when the assessment date is so I suppose that's a possibility; but unfortunately, I don't have any information on to what extent that is happening.

SENATOR CRUZ-CRAWFORD:
If I was a savvy business owner, on July 1, I might consider moving equipment so I would not have to pay Nevada property taxes.

SENATOR CANNIZZARO:
I believe that one of the goals of this legislation is to bring some clarity and to make sure that we are all operating from a system that is not just business-friendly but also provides some transparency for the State and for all the different entities that may interact with this type of business. While we don't have data that indicates that is what is happening, I do believe that if we can do something that will allow for businesses to operate in a way that is predictable for them and that is cost-effective, we should do that. It would also provide clarity to all of us because we will be able to know when they collect these monies and how it is that they are keeping them in those separate accounts. We can account for all the things that maybe we might currently not have as much clarity. That's the impetus for this piece of legislation.

SENATOR CRUZ-CRAWFORD:
What is the oversight? How do you even know if a piece of property is here? Is it the invoices from the heavy equipment companies? Is that how you are tracking?

MR. GORDON:
It's the same process that exists today. The assessors have the ability to audit those companies as it relates to what equipment exists, where and when. They have had that authority to be able to identify and validate the accuracy of the reporting that's coming from heavy equipment rental companies, and they will continue to have that authority going forward as well.

SENATOR CRUZ-CRAWFORD:
You said this bill was presented three different times. What was the sticking point? Why didn't it pass before? I understand the conceptual amendment, Exhibit C, but where were the speed bumps?

SENATOR CANNIZZARO:
We have been working on this piece of legislation in order to figure out what the right fix is for Nevada for this particular issue. As you looked at some of the slides presented by Mr. Gordon, many other states have taken on this issue and have come up with some sort of version to address it. We have been through a different version of this every single time trying to alleviate some of the burdensome pieces that existed for our county folks. We heard from our assessors, we have heard from our recorders, we have heard from the treasurer. There have just been ways in which we designed this previously where we were

going through the county assessor, county recorder, county treasurer to help facilitate some of that. I think that between the language you have in S.B. 196 this time, along with the conceptual amendment, Exhibit C, that has been proposed, we have alleviated those burdensome pieces for our county offices and allow for a solution. That was where we were trying to figure out what the best system was to be able to put something before this committee that would make sense to solve that issue without creating a more burdensome process for the counties.

SENATOR STEINBECK:
What is the tax rate?

MR. GORDON:
The effective recovery rate is 2 percent.

SENATOR STEINBECK:
I understand that, but what is the charged rate that counties assess?

MR. GORDON:
The assessment on this type of equipment is different by every tax district within every county there, and there are literally hundreds of different tax rates for this type of equipment depending on where it would theoretically be located.

SENATOR STEINBECK:
Is it around the 2 percent? Is that an aggregate, or are there extremes?

MR. GORDON:
They're all in a generally narrow range is the simple answer. So we are on the same page, the property taxes themselves are on the value of the asset. The recovery fee would be a charge on the amount of the rental revenue of the equipment, so they don't necessarily align. I would say, generally speaking, personal property tax rates fall in an effective rate of about 1 percent of the value of the equipment. So it's a different concept. They are not aligned in that regard. But when compared to the rental revenue, that's how we ultimately got to the 2 percent fee on the revenue.

SENATOR STEINBECK:
The value depreciates each year I assume?

MR. GORDON:
The value of the equipment is based on the age of the equipment, and that's how it's assessed from a personal property tax standpoint.

SENATOR STEINBECK:
To follow up on Senator Cruz-Crawford's question regarding the moving of equipment, this fee you can charge is regardless of whether you were assessed or not the previous year, or is it only available if you were charged in that year? For example, if it is July 1, 2025, you could charge it whether or not you were assessed on that year or if your equipment was in Utah at that point in time?

MR. GORDON:
Let me say it in my own words and you tell me if I am not answering your question. The recovery fee could only be charged on rentals that are taking place in the State of Nevada. If the equipment moves out of state, obviously there's no recovery fee charged. The personal property tax side of the equation does not change. The companies would continue to pay that personal property tax for the entirety of the year. The counties remain 100 percent whole as it relates to the personal property tax. This just provides an opportunity, if the rental company so chooses, to charge that fee on the rental revenue to help offset some of their personal property tax liability.

SENATOR STEINBECK:
My question was how this incentivizes you not to move your equipment out of the State. It doesn't seem like it really would, but it does allow for the recovery of those expenses.

MR. GORDON:
You said it better than I did.

VICE CHAIR DOÑATE:
We will now open the hearing to testimony in support of the bill.

KEVIN GERN (Vice President, Risk Management, American Rental Association):
We have members across the country, and it's nice to be back here in Nevada. We were just here in January when we hosted the ARA [American Rental Association] show in Las Vegas. We had over 10,000 attendees, which were members in that show; and they were there, as a buying show, to purchase equipment for the year.

Nevada currently has 22 companies that are ARA members across 51 different rental locations. I am here today again on behalf of the American Rental Association and the members of the State of Nevada in support of S.B. 196. As you heard in testimony, this follows legislation passed in many other states and fixes a problem we currently have. This will allow the ability for our members and companies to keep equipment in Nevada and offset property tax liability. I would like to thank our bill sponsor, Senator Cannizzaro, for introducing this bill. I would also like to thank the committee for considering this bill, and I urge your support in ruling S.B. 196 favorably out of your committee.

EDWARD NOONAN (United Rentals):
I am here in support of S.B. 196. In Nevada, we have 27 locations and employ nearly 500 highly valued associates. I want to thank Senator Cannizzaro for her efforts and urge your support of the measure.

TRAY ABNEY (National Federation of Independent Business):
I am here today representing the small business owners who are members of the NFIB [National Federation of Independent Business] in Nevada. I want to thank the Majority Leader for sponsoring this bill. This applies to very small businesses as well. We appreciate that this bill this year provides them with the choice to enter into this program if they want to. It allows them to manage their finances. If anything, small businesses and businesses of every size want stability and the ability to plan ahead for the future and plan their budgets. This allows them to do that and certainly gets rid of the incentive to move equipment around outside of Nevada on July 1. We urge your support.

ISAAC HARDY (Associated Builders and Contractors, Nevada Chapter):
I want to echo the comments made in support of S.B. 196. We are in support of the bill.

PAUL MORADKHAN (Vegas Chamber):
The Chamber is in support of S.B. 196. We appreciate the bill sponsor for bringing the bill forward. We appreciate the industry's efforts to be transparent and to ensure that public protections are being regulated by this body through authorization as you have seen in the bill. Tax policy should be equitable, simple, fair, stable and transparent. We believe this is achieved through S.B. 196.

VICE CHAIR DOÑATE:
We have five letters of support (Exhibit E, Exhibit F, Exhibit G, Exhibit H and Exhibit I) for S.B. 196. Having no testimony in opposition to the bill, we will move to neutral testimony.

JOANNA JACOB (Clark County):
At long last, we are neutral with the amendment that has been proposed. I appreciate the work of the Senate Majority Leader to address our concerns on the original draft. We are neutral with the amendment, Exhibit C, which removes all the impacts to the county and potentially having to redistribute the funds that will address our fiscal concerns that are on our fiscal note filed. With the amendment, we can adjust that. This will be neutral as it gets codified and brought back to work session where we'll continue to work with the Majority Leader and the proponents of the bill.

CADENCE MATIJEVICH (Washoe County):
Similar to Clark County, we are also here in neutral and would like to thank Senator Cannizzaro and the proponents of the bill for engaging with us during the interim. As you heard, counties in previous versions of this bill were very concerned about impacts to our property tax revenues, so we are grateful to them for having worked through that issue with us. The conceptual amendment, Exhibit C, does address the issues we had initially with the bill as proposed. As Ms. Jacobs said, we look forward to working through seeing the final version as it comes to you at the work session.

VICE CHAIR DOÑATE:
Having no one else in neutral or no other closing remarks, we will close the hearing on S.B. 196. We will now move on to public comment.

SENATOR CRUZ-CRAWFORD:
I would like to introduce my intern from the University of Nevada, Reno, Brandon Michel. He is getting his degree in political science and is interested in city planning.

VICE CHAIR DOÑATE:
That concludes our business today. The meeting is adjourned at 1:44 p.m.

RESPECTFULLY SUBMITTED:

_____
Connie Summers,
Committee Secretary

APPROVED BY:

_____
Fabian Doñate, Vice Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	**Exhibit Letter**	**Introduced on Minute Report Page No.**	**Witness / Entity**	**Description**
	A	1		Agenda
	B	1		Attendance Roster
S.B. 196	C	2	Senator Nicole Cannizzaro	Conceptual Amendment
S.B. 196	D	3	Brian Gordon / Applied Analysis	Presentation
S.B. 196	E	11	Kevin Gern / American Rental Association	Letter in Support
S.B. 196	F	11	Edward Noonan / United Rentals	Letter in Support
S.B. 196	G	11	Liz Detwiler / HercRentas	Letter in Support
S.B. 196	H	11	Dan Nabrotzky / Sunstate Equipment Co.	Letter in Support
S.B. 196	I	11	Brian Treece / Equipment Share	Letter in Support