

MINUTES

ASSEMBLY COMMITTEE ON TAXATION
SUBCOMMITTEE ON EXEMPTIONS FOR USE OF RENEWABLE NATURAL RESOURCES
FEBRUARY 21, 1977
4:00 p.m.

Members Present: Chairman Schofield
Mr. Craddock
Mr. Horn

Members Absent: Mr. Jacobsen

Guests Present: Allan Buchanan, Barlow and Peek
Eleanore Buchanan
Carl W. Kidman
James C. Lien, Department of Taxation
Dr. Robert E. Robinson, Assemblyman
Debbie Sheltra, Washoe County Property Owners
Al Throckmorton, Solar Heating Industry
Sue Wagner, Assemblyman
Tom Young, Sierra Pacific Power Company

ASSEMBLY BILL 277

ASSEMBLY BILL 292

ASSEMBLY JOINT RESOLUTION 7

ASSEMBLY JOINT RESOLUTION 9

Chairman Schofield began the meeting at 4:00 p.m. He told those present that the meeting would be informal. He explained the consideration of the above measures and said that there was a good possibility of going into either resolution or combining the verbage in both to reflect what one says and what the other does not say.

Dr. Robinson explained that he had requested amendments to A.B. 292 whereas previously its passage would not have been constitutional until the passage of A.J.R. 9, but the amendments made it constitutional. He said that the wordage was similar to that used by Mrs. Wagner in A.B. 277. He said that the rebate the amendment refers to will be similar to the senior citizen's tax refund. Dr. Robinson said that the wording is the same that Mr. Daykin came up with in the letter to Mrs. Wagner concerning the constitutionality of A.B. 277.

Mr. Craddock stated that he had written a brief draft on discussion concerning wording of A.J.R. 9 in the Committee (Exhibit A). This statement encourages the change of the wording from "renewable natural resources" to "nonfossil resources".

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Mrs. Wagner asked Mr. Lien if he was familiar with the difference in definitions of the two terms nonfossil and renewable resources. Mr. Lien said that the problem with renewable natural resources is the question of does the term in fact include atomic energy or solar. He said that a more definite limit is drawn by using nonfossil.

Mr. Lien said that there would be a question, for example, whether or not geothermal power is in fact renewable. He said that once an individual has used up the steam reservoir of hot water, it is not replaceable. He said this would not be renewable, but it would certainly be a nonfossil item.

Chairman Schofield said that he had talked to Don Rhodes about some of the definitions of these terms. He said that Mr. Rhodes would bring these later in the meeting.

Dr. Robinson said he had thought about using the term "replenishable." But Chairman Schofield reminded him what Mr. Lien had said that a geothermal spring would not be replenishable.

Dr. Robinson said that he liked "nonfossil resource" as a constitutional amendment because it would then include atomic power which the Legislature could grant exemptions for or tax incentives or anything that would perhaps stimulate the construction of reactors. He said that the cost of these reactors was extremely high. With tax incentives, people would begin through private enterprise to invest that kind of money in these things. He said that if the construction of two or three atomic reactors might be the result of having a constitutional amendment, he thought it would be very good.

Mr. Lien stated that certainly the source of atomic power, uranium, would not be a renewable resource, but it would be a nonfossil resource.

Mr. Craddock said that the design of this legislation is to protect or discourage the use of fossil fuels. Anything that would not be fossil fuel perhaps should be given preferential treatment. He moved acceptance of an amendment to make reference to "nonfossil resources."

After the motion, discussion followed. Mr. Horn asked what would be included or excluded speaking of renewable. Mr. Craddock said that "renewable" is ambiguous. He said geothermal is not necessarily renewable. He also said that the sun is depleting itself, and no one has advanced a plan to renew it. He said that excluded would be everything that is in fact fossil fuel and would include everything that is not fossil fuel.

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Chairman Schofield said that he had a question about the wording "or the production of energy." He said he wondered if that wording fit into A.J.R. 9. He mentioned the possibility that whatever energy is produced from nonfossil resources would be exempted. Mr. Craddock said that the facility in which the energy is produced is to be exempt. Mr. Lien said to remember that the legislation was not exempting, but it was allowing the Legislature to possibly exempt.

Mr. Horn stated he would second Mr. Craddock's previous motion concerning the amendment for "nonfossil resources." The subcommittee members present gave unanimous approval to the motion to refer this amendment back to the full Committee.

Chairman Schofield said that he had not noticed any particular monetary statements in A.B. 292. Dr. Robinson said that any exemption or rebate could never exceed the actual capital investment for the device or facility. Chairman Schofield said that the reason he was bringing this up was the \$2,000 figure in A.B. 277.

Mr. Lien stated that the rebate was written much clearer in A.B. 277 than A.B. 292, but that he had not seen the amendment for A.B. 292. He said that he was unable to give any type of a fiscal impact for A.B. 292 any more than he had been able to for A.B. 277.

Mr. Lien further said that the interpretation of A.B. 277 with the Department of Taxation was that it went beyond just giving rebates to homeowners. He said that the only thing the bill excludes is anyone that produces energy for sale such as a large power plant. For this reason, he said that the \$2,000 limit addressed in A.B. 277 was very minor when presented to a large business. Dr. Robinson asked why a dollar amount had been placed there. Mrs. Wagner said that she did not know and that she had not asked for it to be placed there.

At this point definitions were supplied by the Legislative Counsel Bureau (Exhibit B), and conservation centered on the various definitions supplied.

The subject of wood was brought up by Dr. Robinson. He said it could be a renewable natural resource in the production of methanol or methane. Mrs. Wagner stated that the original discussion in the Committee about the exclusion of wood was the fact that it was not the intent of the legislation to exclude fireplaces from taxation.

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Dr. Robinson said that perhaps the exclusion should be written to leave out fireplaces. Mr. Lien said that in the present form of the bills, the implementation of a fireplace where there had not been one previously would certainly have to be included. Mr. Young stated that some people have built fireplaces that have proven to be a real saver on the heating bill. Others, however, have increased their heating bill because precautions to hold the heat were not taken, and heat from the inside of the house was drawn out through the fireplace.

Mr. Lien said that he thought the bills would automatically have to exclude fireplaces. Ms. Sheltra asked if the Legislature would not want to make this type of determination based on efficiency. The question was proposed of how to give a fireplace an efficiency rating.

Dr. Robinson said that there was a concern over air pollution also and that if everyone in the State put in a fireplace, there would certainly be a great problem. That would be an argument to exclude fireplaces.

The subcommittee heard discussions about on-site hydro-electric production of energy for individual homes and rebates for installation of insulation and thermal pane windows. Mr. Craddock suggested a collective limit so a person would have to put in several items to add up to a certain dollar amount before a rebate would be granted. He agreed that a time limit should be placed on doing this type of work.

On hearing testimony that building codes are moving higher to where many of these items would be standard such as insulation or thermal pane windows, Dr. Robinson suggested that perhaps incentives should be given to bring old homes up to the present codes.

Chairman Schofield asked the guests present to submit in writing their preferences concerning the four measures before the subcommittee.

Mr. Lien asked for copies of A.B. 292 amendments to also be considered by the guests, attached as Exhibit C.

The subcommittee adjourned at 5:15 p.m.

Respectfully submitted,

Carl R. Ruthstrom, Jr.

Carl R. Ruthstrom, Jr.
Secretary

EXHIBIT A

REPORT TO SUBCOMMITTEE, JIM SCHOFIELD, CHAIRMAN
ON A.J.R. 7, A.J.R. 9, A.B. 277 AND A.B. 292

In review of the above-referenced pending legislation, I find it necessary to define the intent as relates to the various classifications of energy and/or energy sources.

The need to avoid ambiguities in a constitutional amendment has convinced the undersigned that the term "non-fossil resources" should be used in A.J.R. 9, page 2, lines 17 and 18, instead of "renewable natural resources" for the following reasons:

1. The design and intent of the legislation is to encourage development and use of energy sources other than those of organic origin known as fossil fuels.
2. The sun is accepted as a non-fossil natural resource.
3. Atomic energy, fusion, fision, and breeder reactors are fuelded by non-fossil sources.

This statement is intended to follow A.J.R. 9 as to intent.

R. G. Craddock

EXHIBIT B

STATE OF NEVADA

LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627

JAMES I. GIBSON, *Senator, Chairman*
Arthur J. Palmer, *Director, Secretary*

INTERIM FINANCE COMMITTEE (702) 885-5640

DONALD R. MELLO, *Assemblyman, Chairman*
Ronald W. Sparks, *Senate Fiscal Analyst*
John F. Dolan, *Assembly Fiscal Analyst*

ARTHUR J. PALMER, *Director*
(702) 885-5627

FRANK W. DAYKIN, *Legislative Counsel* (702) 885-5627
EARL T. OLIVER, *Legislative Auditor* (702) 885-5620
ANDREW P. GROSE, *Research Director* (702) 885-5637

February 21, 1977

M E M O R A N D U M

TO: Assemblyman James W. Schofield
FROM: Donald A. Rhodes, *Dan* Chief Deputy Research Director
SUBJECT: Definitions of Various Energy Sources and of Renewable Natural Resources.

This is in response to your request for definitions for geothermal, solar and wind energy and for renewable natural resources.

Because of time constraints, I am providing you with definitions I could find readily. Please let me know if you would like more refined definitions.

DAR/jd
Encl.

RENEWABLE NATURAL RESOURCE - Any matter such as minerals, water or other material furnished by nature which, based on current technology, can be recycled or reused.

SOLAR ENERGY - The energy transmitted from the sun in the form of electromagnetic radiation.

GEOTHERMAL ENERGY - Heat energy taken from inside the earth. The two classes of geothermal wells are hot-dry and hot-wet. The hot-dry holes require the introduction of water to create steam and hot-wet holes have water already available to create steam.

WIND OR
ATMOSPHERIC ENERGY - Energy derived from an electrical generator operated by the force of wind against vanes or sails radiating about a horizontal shaft.

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Date:		Date:	
Initial:		Initial:	

Amendments to Assembly / ~~Senate~~

Bill / ~~XXXXXX~~ No. 292 (BDR 32-575)

Proposed by Committee on Taxation

1977 Amendment N^o 24



Amend section 1, pages 1 and 2, delete lines 2 through 23 on page 1, and lines 1 through 5 on page 2 and insert:

"thereto the provisions set forth as sections 2 to 5, inclusive, of this act.

Sec. 2. "Facility or device for conservation of energy or production of energy from nonfossil resources" means any land, structure, building, installation, excavation, machinery or equipment, or any addition to, or reconstruction, replacement or improvement of land or an existing structure, building, installation, excavation, machinery or equipment used, constructed, acquired installed after July 1, 1977, if the primary purpose of such use, construction, acquisition or installation is:

1. Reduction of:

- (a) Waste or dissipation of energy; or
- (b) The amount of energy required to accomplish a given quantity of work; or

2. Conversion of:

- (a) Solar radiation;
- (b) Wind;
- (c) Geothermal resources; or
- (d) Solid wastes, including without limitation solid wood wastes and other nonfossil organic wastes,

sk into usable sources of energy.

3. Production of energy from any nonfossil resource.

Sec. 3. "Nonfossil resource" does not include any material which is manmade.

(nore)

Drafted by LP/cj Date 2/18/77

Sec. 4. 1. The owner of any facility or device for conservation of energy or production of energy from nonfossil resources is entitled to an allowance against the property tax accrued:

(a) During the current assessment year if the facility or device is placed upon the secured tax roll; or

(b) In the next following assessment year if the facility or device is placed upon the unsecured tax roll,

in an amount equal to the difference between the tax on such property at its assessed value with the system and the tax on such property at its assessed value without the system.

2. The allowance shall not:

(a) Exceed the amount of the accrued property tax paid by the claimant on the building or other structure; or

(b) Exceed the total capital investment for the use, construction, acquisition or installation of the facility or device.

(c) Be granted in any assessment year in which the facility or device is not used for its primary purpose.

Sec. 5. 1. Only one owner of the facility or device for conservation of energy or production of energy from nonfossil resources may file a claim for an assessment year. A claim may be filed with the county assessor of the county in which the facility or device is located. The claim shall be made under oath or affirmation and filed in such form and content, and accompanied by such proof, as the department may prescribe. The county assessor shall furnish the appropriate form to each claimant.

2. The claim shall be filed between January 15 and March 15, inclusive:
- (a) Of each assessment year for which an allowance is claimed against the tax on property placed upon the secured tax roll.
- (b) Next preceding each assessment year for which an allowance is claimed against the tax on property placed upon the unsecured tax roll.
3. Not later than May 1 of the assessment year, the county assessor shall provide the auditor of his county a statement showing the property description or parcel number, name and address of claimant, and the dollar allowances of each claim granted for the assessment year under this section with respect to property placed upon the secured tax roll. After the county auditor extends the secured tax roll, he shall adjust the roll to show the dollar allowances and the amounts of tax, if any, remaining due as a result of claims granted under sections 2 to 5, inclusive, of this act. Not later than June 1 of the assessment year, the county auditor shall deliver the extended tax roll, so adjusted, to the ex officio tax receiver of the county.
4. The ex officio tax receiver of the county shall make such corresponding adjustments to the individual property tax bills, prepared from the secured tax rolls, as are necessary to notify the taxpayers of the allowances granted them under this section.
5. After granting the claim of a taxpayer whose facility or device is placed upon the unsecured tax roll, the county assessor shall determine the amount of the allowance to which the claimant is entitled under this section and shall credit the claimant's individual property tax account accordingly.

(more)

6. The county assessor shall send to the department, for each assessment year, a statement showing the allowances granted pursuant to this section. Upon verification and audit of the allowances, the department shall authorize reimbursement to the county by the state for money appropriated for the purpose.

7. Any person who willfully makes a materially false statement on a claim filed under this section or produces false proof, and as a result of such false statement or false proof, a tax allowance is granted to a person not entitled to the allowance, is guilty of a gross misdemeanor.

Sec. 6. NRS 361.010 is hereby amended to read as follows:

361.010 [When] As used in this chapter, unless the context otherwise requires, the words and terms defined in NRS 361.015 to 361.040, inclusive, [shall] and sections 2 and 3 of this act have the meanings [set forth in NRS 361.015 to 361.040, inclusive, and no other meanings.] ascribed to them in those sections."

Amend the bill as a whole by deleting section 2.

Amend the title of the bill to read as follows:

"AN ACT relating to property taxes; providing an allowance against taxes for a facility or device used for the conservation of energy or production of energy from nonfossil resources; and providing other matters properly relating thereto."

