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AB 517

As my colleague, Assemblyman Ocegüera has indicated we are faced with a fiscal crisis in this state. As the sponsor of the legislation creating the Governors' Task Force on Taxes I felt they had important charges: one was to bring recommendations that broadened the tax base and the other was to help point out areas where some businesses may not be paying their fair share.

That's why I feel we need to seriously consider this piece of legislation because it addresses the fair share issue. In fact, The NV Banker's Association issued a tax policy position statement that says, "We pledge to pay our "fair share" of the additional tax revenue generated from the business community to support this attractive quality of life and provide the basis for continued economic growth and diversification." I think this bill with the conceptual amendment I'll be proposing will help they keep their pledge.

Banks do business differently from general corporations. General Corporations have gross receipts from sales of goods and services, from which a "cost of goods" is subtracted to reach taxable income. In contrast, banks have neither gross receipts nor a cost of goods sold, but rather interest income, which presents itself differently from a return standpoint but is not taxed differently.

As John noted, 5 Nevada banks have has 75% of the market share and they charge the same here as they do in California yet in California they pay an excise tax. Nevada has favorable bank laws and we don't wish to change that but the average bank deposit is 7 times more than what it is nationally and their income is 7 billion dollars. We are estimating a potential tax base of 1 billion dollars. The gross figures don't even include credit card activity.

Recognizing that we don't wish to drive banking away especially our smaller community banks, means to that the flat 14% in the original bill may be too high and could potentially cause institutions to move investment portfolios and accounts into other jurisdictions. So the key to this bill would be an amendment that assures that the revenue generating ability of any levy will be a function of how the tax is applied and administered, the formula used to apportion income, and the rate.

The simplest way to estimate the total taxable income for the banks is via a Share analysis technique. This means we make the assumption that NV bank income is proportional to its share of several representative factors such as deposits; gross state product, employment, etc. FDIC reports that banks nationwide, have after tax operating incomes of 97.2 billion. They also report that NV institutions maintain deposits of 27.4 billion in at least 435 locations. By applying the technique I mentioned, one could assume that NV banks would generate nearly 620 million in net operating revenue. I'd point out that 3 banks, Wells Fargo, Citibank, and Household Bank account for 88% of the state's aggregate after-tax income total.

ASSEMBLY TAXATION  
DATE: 4/10/03 ROOM: 4100 EXHIBIT F  
SUBMITTED BY: Assemblywoman Giandigliano (1-2)

Bank of America, US Bank, California Federal Bank, Colonial Bank, and Washington Mutual Bank are not included in the income figures I noted because they are federally chartered without an independent subsidiary or being domiciled in NV. Combined the 5 firms account for roughly one-third of NV's total bank deposits, with Bof A having 19.5% placing it 2<sup>nd</sup> to Wells Fargo.

I'll now hand out a document that I've used for this testimony. I'd point out that about 5 banks really have the market share and that's why we're proposing a conceptual amendment to AB 517. I'd recommend to delete the 14% franchise fee in section 13 and realign that section to have a 3 tiered program so that all banks pay a small amount but the biggest tax burden is borne by the largest banks with the most gross.

We're still aligning the tiers but I'd like it to raise about 80 million dollars.

I will close with asking the banks to work with this committee to find a balance so the smaller banks aren't hurt and the larger banks aren't discouraged from doing business in our state but will bear a higher tax burden.

Banks are in the business of investing and I ask them to step up and help invest in Nevada's schools and other much needed programs. Afterall, the school kids are future investors themselves.