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My name is Kim Koster & I am here representing both Nevada Financial Services Association, & Koster Finance. NFSA represents a variety of financial companies including installment loan companies, payday loan companies, finance companies, deferred deposit lenders, auto title lenders and check cashers.

I appreciate your giving me the opportunity to speak on this important issue, and out of respect for your time will keep this as short as possible.

On behalf of all of our members, I would like to state that we are vehemently opposed to AB517 & the 14% net profits tax that it would impose on businesses such as ours.

This bill would not only be damaging to our customers but also to every business that would be required to implement such an extreme tax. At face value, this tax is not only over the top in that it would confiscate 14% of net profits which would secure up to 56 times more money than the suggested 0.25% gross receipts tax, but would require every business to increase their fees in order to compensate for the lost profits. There are basically two fundamental economic principles that will occur if this bill were to pass.

First: The smaller Nevada owned company will be the most severely impacted. The larger, national companies, that can spread their costs across business units would be able to more readily absorb the tax, enabling them to sustain for a longer period of time at the same rates. At the same time, locally owned smaller companies would have to raise their rates in order to compensate for the tax. Remember that a large number of these companies are owned by individuals operating only one or 2 stores, & they could not absorb the costs associated with the tax increase. Because of an increasingly sophisticated customer base, the customers obviously are not going to use the necessarily higher costs of dealing with a smaller mom & pop shop, & will instead turn all of their business towards the larger companies. This will force the smaller local companies out of business, depleting the local job market & siphoning even more funds out of state. Once the majority of the smaller companies were forced to close their doors, the larger companies would be able to increase their rates to compensate for the tax, & in effect we would have what has up until now been a prosperous industry in Nevada run mainly by Nevadans, become an industry dominated by large, out of state National companies.

Second: The tax will be passed through to the consumer. Companies affected by this bill will have no choice but to raise their rates to the consumer, making this a pass-through tax which in the end only hurts the already challenged consumer.

The proposed tax is excessive because it will put local businesses out of business and puts an unfair burden on financial service companies. This seems to me to be in direct opposition to what you're trying to accomplish here.

At this time, I have nothing further to add, except to reiterate that we, as an industry, are firmly opposed to AB517.

I would be happy to answer any questions that you may have.

ASSEMBLY TAXATION
DATE: 4/10/03 ROOM: 4100 EXHIBIT I
SUBMITTED BY: John Verniels
Nevada Financial Services Assoc