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Personal Testimony to Assembly Tax Committee re: A.B. 517
April 10, 2003

Mr. Chair and members of the committee, my name is Tom Powell and I am the President of **intohomes** Mortgage Services, a mortgage broker based in Reno. My wife, Tonya Powell, and I are the principal owners of the company. We are here to give testimony regarding the negative impact A.B. 517 will have on our business, and we believe a similar impact for all brokers in the state of Nevada, should this bill be passed in its current form.

As a business owner I understand the need to increase revenues to support the increased growth and infrastructure of the state. We are consistently struggling with this at **intohomes** – how do we fund our growth, make a return to our investors, support our 24 employees, provide a great work environment, give back to our community, and stay competitive to best serve our clients. As a broker, we operate under NRS 645B. I believe A.B. 517 is flawed in several ways, but specifically it is flawed in the assumption that a small, local, family-owned business such as ours can afford to pay 14% of our profits for the “privilege” of doing business in the state. This “privilege” for me and my wife means we take the financial risk each day our doors are open. We personally sign on lines of credit, guarantee payroll, leases, and subject ourselves to possible large fines from the state for errors that can be made by our employees. We work more than fulltime to operate the business, and because we are an LLC, our compensation is in the form of profit.

In addition, AB517 specifically states that “The legislature finds and declares that the tax imposed pursuant to this chapter on a financial institution must NOT BE CONSTRUED AS A TAX UPON THE CUSTOMERS OF THE FINANCIAL INSTITUTION, BUT AS A TAX WHICH IS IMPOSED UPON AND COLLECTIBLE FROM THE FINANCIAL INSTITUTION AND WHICH CONSTITUTES PART OF THE OPERATING OVERHEAD OF THE FINANCIAL INSTITUTION. In simple terms, this is not a pass-through tax. This bill is a direct 14% PERSONAL income tax to me and my wife.

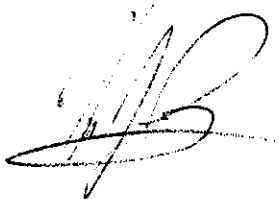
ASSEMBLY TAXATION
DATE: 4/10/03 ROOM: 4100 EXHIBIT J
SUBMITTED BY: Thomas J. Powell (1-2)

Last year **intohomes** helped nearly 1,000 families obtain the dream of homeownership, lending nearly \$140M. Our net profit was approximately 37 basis points on the revenue, which is .0037. The gross receipts tax is asking to take over 2/3 of this profit, and this tax is **56 times** higher than the gross receipts tax being proposed. Similar to the Gross Receipts Tax, this new tax will cause the creation of an Internal Revenue Service for the state with all the costs associated with a new agency along with all the powers of intrusion into the lives of small business owners throughout our state.

My question today for you is—Based on the simple insight I have given you into our mortgage broker business—which is indicative of the industry as a whole—why should my wife and I keep our doors open, personally assume the financial risks we take each and every day, personally sign lines of credit and leases, guarantee payroll for 24 people, give back to our community through numerous non-profits with which we are involved, and subject ourselves to fines that apply to the conduct of our employees, just to give the State back 14% of our earnings?

intohomes is one of the largest mortgage brokers in Nevada, with 24 total employees. The majority of mortgage brokers, by far, are tiny mom and pop businesses, with an average of 2-5 employees. If you choose to include mortgage brokers in this bill, you will undoubtedly drive many, if not most of them out of business, and may drive us out of business. This will eliminate competition within the marketplace, and leave only the large institutions—which are not based in Nevada and have no true commitment and loyalty to our State—from which homeowners may choose. As you know, small business is the cornerstone of our country's free enterprise system, employing by far the majority of all working people. I have brought with me today numerous letters signed by other mortgage brokers throughout the State who feel as we do. I cannot urge you strongly enough to reconsider this bill and ask that you remove those of us that operate under NRS 645B, your local Mortgage Brokers, from its scope.

Thank you for your time and I will be happy to answer any questions you may have.

A handwritten signature in black ink, appearing to be the initials 'JB' with a large, stylized flourish underneath.