

DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

Work Session Document
Assembly Taxation Committee
May 15, 2003

SB 313—Adds an administrative provision to the sales and use tax statutes to specifically exempt the lease of a motor vehicle for use by the state or a local government from those taxes. Current law provides that the sale of vehicles to a state or local government is tax exempt, but the lessor must pay the use tax on a lease transaction with a government when title to the vehicle is not transferred to that government. This unequal treatment discourages governments from leasing vehicles from auto dealers. The fiscal effect of this exemption is estimated at \$30,000 per year.

There was no testimony in opposition to the bill, and no amendments were proposed.

SB 370—Authorizes a county's board of county commissioners to impose an additional tax not to exceed \$0.05 for each \$500 of value on the transfer of real property. The proceeds of the tax must be used by the Department of Agriculture for programs for the exclusion, detection and control of invasive species and certain endemic (native) pests and weeds and for grants to local governments and nonprofit organizations for the control or management of invasive species and certain endemic pests and weeds. The prime sponsor of the bill noted the problems in rural counties due to the infestation of crickets and grasshoppers, among others things. He indicated that this bill would allow a county to dedicate some money to combat the problem.

There was no opposition to the bill, but a representative of the builders association proposed the following amendment:

**Amend section 1, page 1, line 4, after "commissioners" by inserting:
"of any county whose population is less than 400,000".**

SB 473—Reduces the number of full-time employees that a new business is required to have on its payroll by the fourth quarter of operation for the purposes of obtaining an abatement from property taxes, business license taxes, or the Local School Support Tax, and authorizes an abatement from these taxes for a business that furthers the development and refinement of intellectual property into a commercial product. The bill also reduces the amount of capital investment required to obtain an abatement of personal property taxes and extends the personal property and sales tax abatements for renewable energy to an energy storage device that reduces the consumption of fossil fuel. Finally, SB 473 eliminates the graduated exemption from the business tax and sets the exemption at 50 percent of the tax otherwise due, extends the sales tax abatement to a lessee who leases rather than purchases qualifying property, and extends until June 30, 2009, the property and sales tax abatements for facilities for the generation of electricity from renewable energy that are set to expire on June 30, 2005.

Testimony from Economic Development indicated that the changes being proposed are at the request of the local development authorities because of the changing mix of businesses seeking to establish, relocate or expand operations within Nevada. No one spoke in opposition to the bill. However, considerable discussion among committee members and the proponents of the bill took place, with committee members expressing both support and opposition to the changes being proposed in SB 473. No amendments to the bill were suggested.

C1014
ASSEMBLY COMMITTEE ON TAXATION
DATE: 5/15/03 ROOM: 3142 EXHIBIT C
SUBMITTED BY: TED EUEND

✓ **SB 489**—Provides an exemption that will expire on June 30, 2005, from local sales taxes for solar thermal energy systems and solar lighting systems that reduce the consumption of electricity or natural gas. The bill also delays from June 30, 2003 to June 30, 2005, the expiration of an exemption for products or systems designed or adapted to use renewable energy to generate electricity.

A proponent of the bill suggested an **amendment to lines 8 and 10 on page 1 that would authorize the exemption for solar systems that also reduce the consumption of propane in addition to electricity and natural gas.** There was discussion in Committee over the appropriateness of the proposed amendment because of some confusion regarding whether the amendment would exempt systems that use propane to generate energy from the sales tax. Staff believes that would not be the case. If the Committee determines that the granting of the temporary exemption for these solar systems is appropriate, staff recommends that the language be amended to provide the exemption for a system that reduces the consumption of electricity or any fossil fuel. There was no testimony in opposition to SB 489.

C2014

Specific Changes to Abatements and Exemptions Made by SB 473 and SB 489

—SB 473—

Section 1

- I. Reduces from 75 to 30 the number of FTE employees that must be on the payroll of a new business by its fourth quarter of operation to be eligible for a property, business or sales tax abatement, if the business will be located in a county with a population of at least 100,000 or a city with a population of at least 60,000. (Note: This is one of the three requirements set out for these abatements of which a business must meet two to qualify.)
- II. Reduces from 25 to 10 the number of FTE employees that must be on the payroll of a new business by its fourth quarter of operation to be eligible for a property, business or sales tax abatement, if the business will be located in a (Note: This is one of the three requirements set out for these abatements of which a business must meet two to qualify.)
- III. Provides that a business that furthers the development and refinement of intellectual property, a patent or a copyright into a commercial product may be eligible for an abatement if it meets two of the following three requirements:
 - a) It must have at least 10 FTE employees on the payroll by its fourth quarter of operation.
 - b) It must make a minimum capital investment of \$500,000 in this state.
 - c) It must pay at least the average hourly wage in the state, provide a health insurance plan for all employees with an option for dependent coverage, and provide benefits to employees that meet a minimum cost standard established by the Commission on Economic Development. (Note: This change establishes lower thresholds for employment and capital investment that these types of business must meet to be eligible for an abatement.)

Section 2

- I. Reduces the minimum capital investment from \$50 million to \$5 million for an industrial or manufacturing business and from \$5 million to \$1 million for any other business to be eligible for a personal property tax abatement in a county with a population of at least 100,000 or a city with a population of at least 60,000.
- II. Reduces the minimum capital investment from \$5 million to \$500,000 for an industrial or manufacturing business to be eligible for a personal property tax abatement in a county with a population of less than 100,000 or a city with a population of less than 60,000.
- III. Makes a facility for the production of an energy storage device eligible for the partial abatement of real and personal property taxes that is now temporarily authorized only for a facility for the generation of electricity from renewable energy. (Note: If this change is approved, page 7, line 16, should be amended after "or" by inserting "*production of*".)

(Note: The investment thresholds that must be met to be eligible for partial property tax abatements are higher than those established for abatements generally.)

Section 3

Changes the business tax abatement from declining rates of 80, 60, 40, and 20 percent over a four-year period to a flat rate of 50 percent over the four years.

1304

Section 4

- I. Extends the abatement of local sales taxes for the purchase of eligible machinery and equipment to include leases of eligible machinery and equipment for the duration of the lease and makes the lessee the person eligible for such abatement.
- II. Makes a facility for the production of an energy storage device eligible for the partial abatement of local sales taxes that is now temporarily authorized only for a facility for the production of electricity from renewable energy. (Note: If this change is approved, page 9, line 8, should be amended after "or" by inserting "*production of*".)
- III. Specifically excludes aircraft from the definition of eligible machinery and equipment for purposes of the abatement of sales taxes.

Section 5

Extends the expiration date of the property and sales tax abatements for a facility for the generation of electricity from renewable energy from June 30, 2005 to June 30, 2009.

Section 7

Sunsets the changes made to the property and sales tax abatements by sections 2 and 4 on June 30, 2009.

—SB 489—

Section 1

Establishes an exemption from local sales taxes for solar thermal energy systems and solar lighting systems that reduce the consumption of electricity or natural gas. The exemption would be in effect only from July 1, 2003, through June 30, 2005.

Section 2

Extends the expiration date for an exemption from local sales taxes for products or systems designed or adapted to use renewable energy to generate electricity from June 30, 2003, to June 30, 2005. This exemption was authorized by the 2001 Legislature.

C4 of 4