

## 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](mailto:library@lcb.state.nv.us).

**URBAN CHAMBER OF COMMERCE**  
"URBAN EMPOWERMENT OF BUSINESS AND COMMUNITY"

April 4, 2003  
VIA FAX

Senator Mike McGinness  
Chairman of the Senate Tax Committee  
401 South Carson Street  
Carson City, Nevada 89701

Dear Chairman McGinness:

On behalf of the Urban Chamber of Commerce I would like to express our concerns about a sales tax on services. The Chamber recognizes the need to increase state taxes in order to fill the projected budget shortfall. Also, we understand that no taxes are perfect. The legislature is faced with the difficult task of determining which tax package is the most fair and equitable, and at the same time which package will provide stable funding for years to come. We appreciate your efforts to address this challenge.

The following paragraphs outline some concerns the Urban Chamber hopes you will work to address when considering a sales tax on services. Most significantly, the sales tax on services will ultimately be passed to the end user placing the burden of funding our schools, prisons Medicaid, etc. on the backs of individuals who already do their part to fund the state. S.B. 382, in particular, will also encourage consumers to utilize services outside of the state where the sales tax will not be assessed. Additionally, S.B. 382 will place several administrative challenges upon service providers who will be tasked with collecting the tax.

The Urban Chamber is concerned that a sales tax on services would establish a system whereby businesses would pass their responsibility to fund state government onto their customers. This regressive form of taxation disproportionately punishes low-income Nevadans who depend to the same extent as all other Nevadans on services like furnace and air conditioner repair, car maintenance, tutoring for their children, etc. We recognize that all taxes are passed to the customer to some extent but a simple pass-through tax such as this places no responsibility on the business to pay its fair share.

S.B. 382 pertains to only those service transactions that occur within the state's borders. Minority-owned businesses represent a significant portion of the Urban Chamber's membership. These businesses compete with large firms to provide accounting, engineering, legal services and more. This bill would entice consumers of these services to consider out-of-state providers that would not assess a service tax—further placing our members at a competitive disadvantage.

**Executive Board**

Hannah Brown  
President

Ronald Despenza  
Vice President

Francis Odqm  
Treasurer

Lola Graena  
Secretary

**Board Members**

Robert Bell

Thomas Brown

William E. Dougan, MD

Jay Hiner

Diana Hughes

Sandra Phillips Johnson

Terry Johnson

Edgar Taylor

**Advisory Board**

Wendell Blaylock

Anthony Gladney

Theron Goynes

Jamie Merritt

John Phillips

**Executive Director**

E. Louis Overstreet

**Office Manager**

Andonia Harrison

EXHIBIT NN Committee on Taxation

Date: 04/08/03 Page 1 of 2

One of the key administrative problems with collecting the sales tax on services will be the obligation to determine if the customer is a business or private individual. S.B. 382 calls for a \$50 deduction for services provided to individual consumers. To what extent is the service provider responsible for determining if a customer should be taxed as a business or exempted up to \$50 as a personal consumer? For instance, consider a repairman who fixes a furnace for a low-income individual who works part-time as a bookkeeper in her house. Is this considered a business-to-business or business-to-individual transaction? Also, consider an accountant who prepares a return for an individual who claims income from a rental property on his personal income return? These types of questions where the blur between services to business versus private individuals abound. It will be very difficult for a small, individual service provider to determine how and when to tax various customers for their service.

Another difficult determination would be the taxation of long-term service contracts. How would you assess the tax for services that are provided daily or weekly but are billed monthly? Landscapers, housecleaners, etc would have a difficult time determining how to treat the \$50 deduction.

Again, we understand that no tax package will be perfect. However, we believe that the problems listed above can and should be avoided. We ask that you work to pass a package that doesn't overly burden Nevada citizens, does not encourage consumers to take their business out of state, and that is not difficult to administer by service providers.

Thank you for your consideration of our concerns.

Sincerely,



Dr. E. Louis Overstreet, P.E.

Cc: Senator Mark Amodei  
Senator Terry Carr