

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-ninth Session
March 9, 2017**

The Senate Committee on Revenue and Economic Development was called to order by Chair Julia Ratti at 3:41 p.m. on Thursday, March 9, 2017, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Julia Ratti, Chair
Senator Aaron D. Ford, Vice Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Michael Roberson
Senator Heidi S. Gansert
Senator Patricia Farley

GUEST LEGISLATORS PRESENT:

Senator Moises Denis, Senatorial District No. 2

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Tina Nguyen, Committee Manager
Colleen Lennox, Committee Secretary
Lex Thompson, Committee Secretary

OTHERS PRESENT:

Steve Woolstenhulme, Founder, Las Vegas Aircraft Sales
Deonne E. Contine, Executive Director, Department of Taxation
Bobbi Thompson, Past President, Nevada Airports Association
Steve Walker, Douglas County; Carson City

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Ray Bacon, Nevada Manufacturers Association

CHAIR RATTI:

We will start with Senator Denis and Senate Bill 179.

SENATE BILL 179: Expands the eligibility for tax abatements for certain businesses related to airplanes. (BDR 32-805)

SENATOR MOISES DENIS (Senatorial District No. 2):

I am here to present S.B. 179 which modifies provisions for the abatement of certain taxes related to aviation-related businesses as explained in my presentation ([Exhibit C](#)).

Two years ago, the Legislature made changes to attract businesses to Nevada. It did attract bigger maintenance facilities to come back to Nevada.

The small businesses I am addressing today would be able to qualify for this abatement. These businesses have always been in Nevada and have stayed here. These businesses could not qualify for the abatements, which has created an issue. Instead of going to the smaller rural facilities, people go to larger cities with bigger facilities. This drives business away from the smaller shops. I introduced this bill to help them so that they do not go out of business. I do not think our intent was to drive businesses out of business. It was to bring more businesses here so they can continue to operate in the rural locations.

Section 2 of the bill shows the findings required in the Nevada Constitution, Article 10, section 6 for tax exemptions. Section 3 sets the sunset abatement date at June 30, 2035 as required for tax exemptions.

A few businesses that would benefit from this bill are Hutt Aviation based out of Minden-Tahoe Airport, as well as EGA Aviation Services, and Horton Aviation Services, both out of North Las Vegas Airport. This is not a complete list, but I would like to leave these on the record. I urge your support of this measure.

STEVE WOOLSTENHULME (Founder, Las Vegas Aircraft Sales):

My business involves aircraft sales and consultation with aircraft owners on maintenance needs. Over the years, I have worked with a number of shops helping small aircraft owners with their maintenance needs. When A.B. No. 161 of the 78th Session was passed, I spoke to Len Guerin, at EGA Aviation. He

was celebrating. He thought he did not have to charge sales tax on parts. When I asked if he met the requirements, he was unaware of the requirements. I explained my understanding of the bill. Len was surprised to learn what was necessary to qualify and went back to charging sales tax.

The subsequent statute is an unfair disadvantage to the sole proprietors for many of the small airports around the State. There are only a couple of metropolitan areas large enough for businesses to have the growth and size to meet the minimum requirements. You are too small if you are not in Las Vegas or Reno. You cannot add the number of employees, the \$5 million capital investment or other requirements needed to qualify for an exemption.

Aircraft are moveable. If an aircraft has a major repair that will need a lot of parts, the owner can hop to another state that doesn't charge sales tax or fly where it can get repaired and save money. That is actually damaging to the small, sole proprietor businesses that have been in Nevada a long time trying to make a living in a small rural community.

SENATOR FORD:

I had a conversation with a colleague who indicated we need to move beyond bringing businesses into the State and try to grow current businesses in Nevada. I appreciate your bill for the effort and attempt you are trying to do. I am a little confused and I need some clarification. If I understand correctly, unlike abatement applications for relocating or new businesses, the aircraft business must have been in business in Nevada for at least ten years. The business will not be required to meet certain criteria related to the number of new employees or capital investments. Is being an aircraft business in Nevada for at least ten years the only requirement? Do you not have to show some level of additional contribution to Nevada before you can qualify?

SENATOR DENIS:

No, that is the only requirement. Many of these companies have been here longer than that.

SENATOR FORD:

If that is the answer, in the bill section 1, subsection 2, goes through the requirements saying "the Office of Economic Development shall approve an application for a partial abatement if the Office makes the following determinations." It goes through a litany in section 1, subsection 2,

paragraphs (a) through (d) with a lot of subparagraphs. It looks like it is more than a just a ten-year requirement. The other requirements detailed here in section 1, subsection 2, paragraph (c) has "and." I just want to be sure that the bill speaks to what you are trying to do. If so, is that really the only requirement we want to have, that the business has to have longevity here in order to qualify for a "shall" abatement? It does not give the Governor's Office of Economic Development discretion to consider the application based on potential growth or anything like that.

SENATOR DENIS:

Yes, as in the testimony and what Mr. Woolstenhulme mentioned, many of these businesses have been in business for a long time, but do not have the capacity to do what we asked for two years ago. The intent was to bring in businesses and then give them the opportunity to continue to grow. Those are meant for large metropolitan areas. In these smaller rural areas, while they may be able to grow some, they are not going to have the ability to have massive growth because they have limited capacity.

The instructions I gave for this bill was to clarify that a business could not just come to Nevada to start a small business and get the tax abatements. They had to show that they had a commitment and had been in business in Nevada for at least ten years. The rest of the requirements were done two years ago.

SENATOR GANSERT:

You do not think these abatements would make them more competitive so maybe they would end up doing more work in the State?

SENATOR DENIS:

That is correct. Planes are very mobile. Before the abatement two years ago, if aircraft owners had major work to do, they would fly to Arizona, Utah or wherever and get the work completed. Nevada was missing out, so we created the abatement to help, but that was for major work being done. If someone had only one plane that needed major work, he or she would many times go to businesses in these rural areas and have the work done. Now they can just fly into Las Vegas or Reno and get the work done, which means businesses in the rural areas are missing out.

SENATOR GANSERT:

Thanks, I understand.

CHAIR RATTI:

You are aware of the fiscal note?

SENATOR DENIS:

Yes. I did not get a complete analysis done of the impact. I know when you do the abatements, it impacts the State and local entities as well, but the intent was not to have a huge fiscal note. We will have to see how it turns out.

CHAIR RATTI:

That would be helpful.

Ms. Contine, may I ask what the rationale is behind the fiscal note?

DEONNE E. CONTINE (Executive Director, Department of Taxation):

I do not have a lot to add. Generally, I have a deputy who does the fiscal notes at the end, but it is basically a statistical analysis. I can talk about the brief explanation of the methodology. The number of assessments and assessed values for aircraft potentially eligible were identified from the 2015-2016 personal property assessment roll. There was some statistical analysis done. Because the property tax rates are different across the State, the analysts do an average of the property tax rate. That is applied to the number of properties that could potentially be eligible for the abatement. It is not necessarily saying that every aircraft would be eligible for the abatement, but that is how the analysis is done.

We have a tax expenditure report. I was looking at the report to see if there were any abatements taken when the law was changed in 2015. I could not find a listing for personal property for the abatement in this category, so I need to check with staff. The final item says these percentages represent all aircraft qualified under the new language, including businesses which may qualify for abatements under existing criteria. There could be companies that are currently receiving the abatement that was enacted in 2015 who would be included in this analysis. I can ask staff to do a little more research.

CHAIR RATTI:

Thank you, that would be helpful.

SENATOR KIECKHEFER:

What about the sales tax side? A lot of the abatement was designed to lure service companies in because of the high cost of some of the services that were provided and the impact of the sales tax rate based on that.

Ms. CONTINE:

When we prepare fiscal notes for abatement programs, we do not estimate sales tax. It is difficult to determine, especially when most abatement programs have the requirement there be a new business or expansion of business. We do not have data related to who might come here. You would need to know who is going to move a business here, expand a business and what are they going to spend on tangible personal property. Then you need to figure out what the effect of that data would be. You essentially have nothing when you start or maybe you have something if it is a growing business, but we do not have enough information from how we collect data to do an estimate on sales tax.

SENATOR KIECKHEFER:

I understand for that new businesses, but these would be existing businesses who have a track record of at least ten years of actual history in the service industry in Nevada. There should be some record of how much sales tax they collected and remitted.

Ms. CONTINE:

The way we acquire data, someone would have to give me a list of every business that might get this particular abatement program. We could run a query for all those businesses and then let you know the results. We could run a query by North American Industry Classification System code, but you would be getting basically the same results. There may be more of the property tax part because you are doing a little bit of analysis. We could certainly query our system if we had a list of taxpayers that may be eligible for the abatement, put everybody together and come up with a number. The only other way we can access information is through a certain code.

SENATOR FARLEY:

Does this open up the possibilities for other industries to start coming forward and wanting abatements? I love the fact that we are giving abatements to Nevada businesses that have been here and made the commitment to stay in Nevada. Is it a concern that businesses may start coming forward and we see more bills like this?

Ms. CONTINE:

I do not have an opinion on that. I agree with Senator Denis and Mr. Woolstenhulme that there are certain considerations when you can take your mobile property someplace else as opposed to needing to have a service or purchase something in your own community.

BOBBI THOMPSON (Past President, Nevada Airports Association):

The Nevada Airports Association consists of the rural airports within Nevada. Normally, I would not support a tax abatement. The bill is for very specific areas.

It is confusing when referencing the Federal Aviation Administration (FAA) Title 14 CFR Part 21, Part 135 and Part 125. These are very narrow types of businesses. Title 14 CFR Part 21 refers to parts and maintenance. Title 14 CFR Part 125 is for aircraft that have over 20 seats. Title 14 CFR Part 135 is for on-demand air charter. Those are very specific areas and what I like about this bill. I work with rural airports and know how critical it is to be able to retain these businesses at their airports. As we all know, this State is very large. Travel by roads are limited. Air travel is important for tourism and economic development, so having these services available for these specific activities is critically important. I am in favor of this bill.

STEVE WALKER (Douglas County; Carson City):

Douglas County and Carson City are opposed to this. There is abatement fatigue in local government. Carson City has provided a fiscal note showing the impact of \$200,000. An enabling clause for local governments that want to support this bill could enable it, which would take the opposition away.

SENATOR KIECKHEFER:

The way the fiscal note is written indicates there is no fiscal impact until you get into the narrative on the comment.

MR. WALKER:

That is correct. My notes from Nancy Paulson, CFO of Carson City, stated the estimated fiscal impact is \$20,000, 10 percent of the number. It is just in the narrative.

SENATOR KIECKHEFER:

I just want to make sure there is clarity. Your testimony is that there is a fiscal impact of \$20,000 annually?

MR. WALKER:

According to the email notes I received, that is correct.

CHAIR RATTI:

Thank you, Senator Kieckhefer, for catching that and for the clarification.

RAY BACON (Nevada Manufacturers Association):

We have companies in this State that make parts for airplanes. In some cases, it may be 80 percent or 90 percent of their business. In other cases, it may be 5 percent of their business. The bill says assembles or manufactures any component of an aircraft. Is the intent to modify this bill to the point where those companies have to look at a portion of their business related to the aircraft sector, which in some cases they may or may not know? Or do you want to leave it that broad?

CHAIR RATTI:

Can you tell us which line you are referring to?

MR. BACON:

It is section 1, subsection 2, paragraph (c) of S.B. 179, which states "The business owns, operates, manufactures, services, maintains, tests, repairs, overhauls or assembles an aircraft or any component of an aircraft; and ..." that it meets all the other criteria. If 5 percent of the business is in aircraft, do you want to include it? If it is 80 percent, you probably do. I am just making sure you have what you want, but I am not sure you do as written.

SENATOR DENIS:

The purpose of this bill is to try to keep businesses in the rural areas. I have heard some interesting suggestions. I had not looked at the issue that each individual regional area would want to determine that. I can look into that.

In regard to an accurate fiscal note, as Senator Kieckhefer pointed out, businesses that have longer than ten years in these specific manufacture and maintenance areas could give us a good indication for what the impact would

be. In many cases, the list is not going to be exhaustive as there are not very many.

As I have said before, the intent is to not penalize them for having been in business all these years. These airports need the maintenance, and they do not want folks going to other areas to do that. It is a benefit to have the businesses there.

CHAIR RATTI:

We will close the hearing on S.B. 179 and move to our work sessions.

JOE REEL (Deputy Fiscal Analyst):

We will begin with two work sessions. You have the work session document for S.B. 12 ([Exhibit D](#)).

SENATE BILL 12: Repeals certain provisions relating to governmental administrative tasks. (BDR 22-241)

Senate Bill 12 repeals certain provisions relating to governmental administrative tasks. It was sponsored by the Committee on Revenue and Economic Development on behalf of the Department of Administration and heard in this Committee on February 28.

Senate Bill 12 eliminates the requirement for several Executive Branch agencies to prepare and submit certain administrative reports to either the Governor or the Legislature. The reports being eliminated are prepared by the Department of Taxation, the State Board of Agriculture, and in the Department of Employment Training and Rehabilitation, the Nevada Equal Rights Commission and the Employment Security Division.

Subsequent to the hearing on the bill, a proposed amendment was brought forward by Senator Ford to not eliminate the report required by the Nevada Equal Rights Commission pursuant to *Nevada Revised Statutes* (NRS) 233.080. The proposed amendment would just simply strike that provision, NRS 233.080, from section 3 of the bill.

CHAIR RATTI:

I will close the work session on S.B. 12.

SENATOR FORD MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 12.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR RATTI:

I will open the work session on S.B. 85.

SENATE BILL 85: Exempts certain property from taxation. (BDR 32-272)

MR. REEL:

Senate Bill 85 is sponsored by Senator Kieckhefer and heard in the Committee on Revenue and Economic Development on February 28 ([Exhibit E](#)).

Senate Bill 85 provides for a property tax exemption to the Parasol Tahoe Community Foundation that will become effective July 1 and sunset on June 30, 2037. There were no proposed amendments.

CHAIR RATTI:

I will close the work session on S.B. 85.

SENATOR GANSERT MOVED TO DO PASS S.B. 85.

SENATOR FORD SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR RATTI:

Seeing no public comment, I will adjourn the meeting at 4:10 p.m.

RESPECTFULLY SUBMITTED:

Lex Thompson,
Committee Secretary

APPROVED BY:

Senator Julia Ratti, Chair

DATE: _____

| EXHIBIT SUMMARY | | | | |
|------------------------|---------------------------------|---|-------------------------|-----------------------|
| Bill | Exhibit / # of pages | | Witness / Entity | Description |
| | A | 1 | | Agenda |
| | B | 2 | | Attendance Roster |
| S.B. 179 | C | 2 | Senator Moises Denis | Written Testimony |
| S.B. 12 | D | 1 | Joe Reel | Work Session Document |
| S.B. 85 | E | 1 | Joe Reel | Work Session Document |