MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON REVENUE

Eighty-Second Session
June 2, 2023

The Committee on Revenue was called to order by Chair Shea Backus at 6:01 p.m. on Friday, June 2, 2023, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda [Exhibit A], the Attendance Roster [Exhibit B], and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/82nd2023.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Shea Backus, Chair
Assemblywoman Venicia Considine, Vice Chair
Assemblywoman Natha C. Anderson
Assemblywoman Lesley E. Cohen
Assemblywoman Danielle Gallant
Assemblyman Ken Gray
Assemblyman Gregory T. Hafen II
Assemblywoman Erica Mosca
Assemblyman Duy Nguyen
Assemblyman P.K. O'Neill
Assemblyman David Orentlicher
Assemblywoman Shondra Summers-Armstrong

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Senator Dina Neal, Senate District No. 4
Senator Edgar Flores, Senate District No. 2

STAFF MEMBERS PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst
Susanna Powers, Deputy Fiscal Analyst
Judi Bishop, Committee Manager
Gina Hall, Committee Secretary
Cheryl Williams, Committee Assistant

OTHERS PRESENT:

Chris Ferrari, representing American Rental Association; and United Rentals
Brian Gordon, Principal, Applied Analysis
Jeffrey Mitchell, Deputy Executive Director, Local Government Services, Department of Taxation
Dylan Keith, Assistant Director, Government Affairs, Vegas Chamber
Paul J. Enos, Chief Executive Officer, Nevada Trucking Association
Alexis Motarex, Government Affairs Manager, Nevada Chapter, Associated General Contractors of America
Warren B. Hardy II, representing Associated Builders and Contractors, Nevada Chapter
Vinson W. Guthreau, Executive Director, Nevada Association of Counties
Andy Heiser, Assessor, Humboldt County; and President, Nevada Assessors Association
Briana Johnson, Assessor, Clark County
Cadence Matijevich, Government Affairs Liaison, Office of the County Manager, Washoe County
Joanna Jacob, Manager, Government Affairs, Clark County
Jana Seddon, Assessor, Storey County
Sheila Bray, Community Partnerships Coordinator for Clark County, Extension, University of Nevada, Reno
Kelly Maxwell, Executive Director, Baby's Bounty, Las Vegas, Nevada
Vanessa Dunn, representing Children's Advocacy Alliance

Chair Backus:
[Roll was taken and Committee rules and protocol were reviewed.] Hopefully everyone got the most current agenda. We have three bills this evening—Senate Bill 126 (2nd Reprint), Senate Bill 233 (1st Reprint), and Senate Bill 428. I am going to take these out of order and start with S.B. 233 (R1). I will open the hearing on S.B. 233 (R1).

Senate Bill 233 (1st Reprint): Revises provisions governing taxes imposed on certain heavy equipment. (BDR 32-87)

Chris Ferrari, representing American Rental Association; and United Rentals:
I am here in support of Senate Bill 233 (1st Reprint). This bill has been many years in the making. Assemblywoman Cohen is familiar with the topic, as are many in the room.

About 44 states across the country have figured out a way to tax heavy equipment in a manner that is a little more current and allows economic activity to prevail. This is going to increase the access to heavy equipment. In light of everything forthcoming, especially in southern Nevada, we are going to need access to equipment. This streamlines tax collection, and I think the National Conference of State Legislatures' "Principles for the Taxation of Business Personal Property" [Exhibit C] says it best—Taxes on business personal property do not align with common principles of taxation, such as neutrality, efficiency, transparency, benefit, or ability to pay. It distorts markets by discouraging capital investment, expansion, and replacement, and imposes high administrative and compliance costs—that is what we are trying to remedy today, and that is why we are proposing S.B. 233 (R1).

With me today is Brian Gordon from Applied Analysis to walk the Committee through the bill, and I will be presenting some slides you can follow along with.

Brian Gordon, Principal, Applied Analysis:
Senate Bill 233 (1st Reprint) is designed to consider how personal property tax is applied for heavy equipment rental companies in the state of Nevada. Essentially, you have companies that are taxed based on where that equipment is physically located as of July 1, like all other property that is assessed in the state of Nevada, but this particular equipment is mobile, it tends to be held as inventory [page 2, Exhibit D]. Heavy equipment rental companies hold this equipment both for rent and then ultimately at sale, so it has a little bit of different economics than some of the other personal property that is taxed in the state of Nevada. That equipment also moves within counties within the state. It also moves between states, so there is the potential for what we refer to as undertaxation, imagining that equipment is moving into the state on July 2. It may not be taxed at all for the course of an entire year. At the same time, if it is here on July 1 and taxed for the entirety of the year and then moves out of state the next day, it would be incurring an entire year's worth of personal property tax during that time frame. There are some nuances to how this property is ultimately taxed given its mobility.

One way to address this, as proposed in S.B. 233 (R1), is to focus on its ability to have more transparency for the customers. Senate Bill 233 (1st Reprint) is designed to exempt the personal property tax and replace that with a 2 percent excise tax. The idea being that it is to achieve revenue neutrality overall, with the goal being to have transparency on the customer bills as that equipment is rented, and then at the same time providing for some more efficiency or predictability for heavy equipment rental companies overall.

Mr. Ferrari mentioned at the outset that there are only six states that have not adjusted how they tax personal property or exempted personal property [page 3]. You can see them on the map—the states of Nevada, Utah, New Mexico, Nebraska, Oklahoma, and Florida are the only ones that do not have any relief or adjustments for these types of taxation. On the next slide [page 4] you will see that Oklahoma is actively working on this similar issue, but we have 18 states that have passed similar reforms in the past: most recently Michigan, before that was Washington, and prior to that were Indiana and Oregon. The idea here being that states, particularly those that are in close proximity to one another as that equipment moves between states, the taxes, if you will, will follow that economic activity, and that provides more alignment with where the rental activity is taking place and having that relative tax follow suit. I am trying to keep this somewhat brief, so I will be happy to answer questions.

The next slide [page 5, Exhibit D], where we became involved as part of this analysis was to focus on trying to determine a fairly accurate and effective tax rate when it comes to talking about eliminating or exempting the personal property tax on this type of equipment and replacing it with an excise tax on the rental revenues. What we did is we accumulated confidential information from heavy equipment rental companies. Because we did not want them sharing information with one another, Applied Analysis acted as the independent data warehouse of that information. We collected that information over the course of the past three years. We asked them to provide us the heavy equipment that they are renting, provide us with how much personal property tax they paid on that equipment over the course of that period by year, and also look at how much rental revenue was generated during that same exact time frame on that same exact equipment. That information was provided to us, and you can see the numbers on the screen [page 5]. We are looking at about $12 million worth of personal property taxes on equipment that was rented out for about $600 million. That translates into an effective tax rate of 2.0 percent. That is what is proposed in S.B. 233 (R1) in terms of the replacement tax should there be an exemption on the personal property tax side for this particular equipment.

The last slide [page 6] that I wanted to walk you through is an alternative on a go-forward basis, so that walks you through what the effective tax rate is over the past three years, and then going forward, the proponents of this particular bill offered what we call the two-year true-up process during fiscal year (FY) 2025. What they would do is both sets of data would essentially be submitted to the Department of Taxation—what that equipment listing is, as well as what those revenues are—and the Department of Taxation will go through that same exact exercise in FY 2025. They will post that information on their website. They will then do that same exact calculation in FY 2026 and make that information available. In the event that the taxes generated by the rental tax, or the excise tax, fall short of what would have been collected under the personal property tax regime, those heavy equipment rental companies will pay the difference. If it goes the other way, they are not asking for a refund. It is only if it falls short, will they pay the difference. Over that two-year period, at the conclusion of that, the bill includes language for the Department of Taxation to go ahead and present that information to the Legislature and provide recommendations if there should be an adjustment to that effective tax rate that is being proposed here before you today. The folks at the American Rental Association, who are proponents for this particular bill, would tell you also in those 18 states that have gone through this reform process, they have not had any pushback in terms of either the tax regime itself or the tax rate that had been proposed in those 18 states. That suggests to us that there has been relatively little controversy over this proposal that is before you today. I am happy to answer any questions from the Committee.

Chair Backus:
Mr. Ferrari, are you both done with your presentation?

Chris Ferrari:
We are. I know there are representatives from the Department of Taxation and other proponents in the room. I just want to thank everybody for their time and effort. This is a complicated issue, and over these years we have attempted to simplify. Mr. Gordon's analysis from his firm has been very helpful as well.

Assemblywoman Cohen:
After the bill was brought last session, I asked that if the bill be brought back there be negotiations in the interim with the assessors, because the assessors were in opposition. Are the assessors currently in support?

Chris Ferrari:
The assessors are here this evening. I will let them speak for themselves, but candidly, no. We tried for quite a long time to get together, and as you know this stems back to an agreement to disagree.

Assemblywoman Summers-Armstrong:
The other states that have changed over to this model, are they all tax-free as far as income tax is concerned, like we are here in Nevada, or do they have different tax structures?

Brian Gordon:
There is a mix of income tax structures across the various states that have set up these types of alternative taxes.

Chair Backus:
With respect to the two-year time period, I know we are not the fiscal committee, but I am thinking about all the numbers here and what it is going to look like going forward. With the Department of Taxation's fiscal note, was that inclusive of anticipating what would be done with the study? Would that be inclusive of their fiscal note, the work they have to do?

Brian Gordon:
It is my understanding that these were their all-inclusive costs of the effects of S.B. 233 (R1) as it is currently drafted, which would include that, but they may be able to respond more directly if there is a different answer.

Chair Backus:
I may have them come up shortly. Another question for me, as I understand under existing law, the person who is renting the property could already include a line item to pass through the taxes. I am not sure why that was not done instead of doing the 2 percent.

Brian Gordon:
The reality is that this equipment can be rented for various periods of time. Sometimes it is open-ended; sometimes it has a fixed term. There is some uncertainty as to whether the equipment would ultimately be rented to another renter at some point in time. An equipment

company could rent it for a 10-day period to one particular user, not knowing whether they are going to rent it out for the remaining 300-plus days of the year, so this would provide some certainty and predictability on the part of the equipment rental companies.

Assemblywoman Mosca:
On slide 5 [page 5, Exhibit D] and page 18 of the bill, section 39, do you expect it to be budget neutral during this time? If so, what are we hoping to get from that?

Brian Gordon:
The idea is that the tax rate has been derived to target revenue neutrality. Obviously, market conditions can change in the future where equipment could be in more demand or equipment could be in less demand, but the idea is statewide, in aggregate, it would target overall revenue neutrality is the objective there.

Assemblywoman Anderson:
My question has to do with section 18, subsection 2, and also section 18, subsection 5. How would that work exactly? With section 18, the fees would be paid to the Department first, but then based upon the form that is mentioned in section 17, subsection 1, paragraph (a), the Department would then transfer that money to the county the rental took place in. Am I understanding that correctly when it is mentioned in section 18, subsection 5? If so, does that mean the Department would never see any money to help with the number of increased staff in this way, since it is all going back to the county?

Brian Gordon:
I think you have a general sense of how it operates, but there is some nuance to it. All of the equipment rental companies would submit their revenue reports that the Department of Taxation will require. They submit the tax related to that rental revenue, just like a sales tax form that is completed today. They would get those funds in. Off the top of all the revenue that is collected, the Department of Taxation would take a 0.75 percent collection allowance, which I think is what you are referring to in section 18, subsection 3, paragraph (a), that is designed to offset the costs associated with administering this proposal. The balance of the funds would then be aggregated over the course of the quarter, and these would be remitted back to the counties on a quarterly basis, sent to them along with a report that details out exactly how that money should be allocated, similar to exactly how the personal property taxes are allocated today. They would remit that down to each county, would remit that to each taxing entity, and that process would continue quarter by quarter.

Assemblywoman Anderson:
Thank you for that clarification, especially with section 18, subsection 3, paragraph (a). How would this impact the county assessors, though? Are they also the ones who would have to do some research to make sure this is in fact accurate, or is this completely on the shoulders of the company to report it, so there is almost a gentlemen's agreement that you are going to be accurate? Who would be doing the verification? Would it be the county? Would it be the State? Would it be the actual owner of the rental agency?

Brian Gordon:
The way it would work is the equipment rental companies would submit that information, just like they do today, except it would go to the Department of Taxation, where under the current personal property tax regime it is reported to the local assessors in each county. That would be a key difference there. Ultimately, I suppose the Department of Taxation would be the entity that ensures the compliance of the reporting and would have all of the typical auditing standards and opportunities to audit that information for accuracy and proper reporting. I believe that would fall on the Department of Taxation, but certainly they could provide additional insight there. That data would be shared with the counties within the state of Nevada.

Chair Backus:
I was doing the math of the 0.75 percent to determine the Department of Taxation's fees that would be collected. It works out to about $90,000 if the $12 million is in fact the amount that is anticipated to be collected, so we are still staying neutral. I saw the large gap so I was trying to determine the amount of work. Before we go to testimony in support, I would like Director Hughes or one of her deputy directors to answer a few questions.

I did not pull up your fiscal note, so I was not sure if it was inclusive of the study, and maybe that is why it is going to be high in this biennium because there is going to be a lot of work for you at the Department of Taxation to determine, if this were to pass, if it ends up being net neutral, what the future of the tax was going to look like.

When I was doing the math to see what your fee would be, that worked out to about $90,000 per year. As part of your study, is that adequate or is it going to be closer to the $400,000 with additional employees to do this entirely new tax? Also, as part of the study are you contemplating to keep neutral the cost to your Department to continue to manage this?

Jeffrey Mitchell, Deputy Executive Director, Local Government Services, Department of Taxation:
When contemplating the study in consideration, that is why our fiscal note came in where it is. We did notice on reading the first reprint of the bill that there is an appropriation in section 39.9 that is equal to our fiscal note, but because of the complex nature of the study and what would be included in essentially developing what the property tax would be for all the different entities and publishing that, that is why it is where it is. I apologize; I forgot your second question.

Chair Backus:
The first part of my question was whether that $90,000 would be adequate. You answered that in a roundabout way by telling me it was inclusive of the study, and that was going to probably be a lot of the man-hours that went into that.

My second question would be, when we are looking at the rate to set so we are net neutral, are you also going to take into consideration the additional expense of having the Department of Taxation handle this?

Jeff Mitchell:
Yes, I believe that will be part of the study as well.

Chair Backus:
With respect to the distribution of this tax, what does the Department envision with the distribution once it comes in?

Jeff Mitchell:
Section 18 of the bill outlays the distribution. We would be collecting that tax and distributing it on a quarterly basis back to the county in which the heavy equipment is rented. I believe that is in section 18, subsection 5, how we would be sending that money back out to the counties. The counties are then charged with dispersing that money out to the different entities that normally would be collecting the property tax on the pro rata share that was established in FY 2023-2024. There would be some details that would need to be worked out on the exact functionality because it is quite complex with the different taxing districts and entities and the overlays in the property tax system.

Chair Backus:
Do the Committee members have any other questions? [There were none.] We will open testimony in support of S.B. 233 (R1) in Carson City.

Dylan Keith, Assistant Director, Government Affairs, Vegas Chamber:
We are in support of this measure today. We believe it has worked in other states. It is commonsense legislation that we aim to support, and for that we ask for your support as well.

Paul J. Enos, Chief Executive Officer, Nevada Trucking Association:
We are supportive of S.B. 233 (R1). We do believe this system is more modern, and it streamlines. Right now, there is a little bit of a game that gets played right around July 1, where people have this equipment and because they can, they will move it out of state and it does not get taxed, so we are not capturing that tax. We think that having a system that gets this when it is being used, when it is being rented, is more reflective of the true economic activity and will stop some of that game-playing that is going on that puts some people who play those games at a competitive advantage over the people who do not. We do support this. We think it is a much better and fair way to go for Nevada.

Alexis Motarex, Government Affairs Manager, Nevada Chapter, Associated General Contractors of America:
Through the Associated General Contractors of America, I represent the commercial construction industry in northern Nevada. We are here in support of the bill.

Warren B. Hardy II, representing Associated Builders and Contractors, Nevada Chapter:
Recognizing that brevity is the soul of wit, I will simply say, We agree.

[Exhibit E and Exhibit F were submitted but not discussed and are included as exhibits of the meeting.]

Chair Backus:
We will go to Las Vegas. Is there anyone in Las Vegas wishing to give testimony in support of S.B. 233 (R1)? [There was no one.] Is there anyone on the phone lines wishing to give testimony in support of S.B. 233 (R1)? [There was no one.] We will come to Carson City for opposition. Is there anyone wishing to give testimony in opposition to S.B. 233 (R1)?

Vinson W. Guthreau, Executive Director, Nevada Association of Counties:
Our assessors are on the Zoom link. Do you want to start with them?

Chair Backus:
I would appreciate that, and we do have a question for them.

Andy Heiser, Assessor, Humboldt County; and President, Nevada Assessors Association:
We have not wavered since the inception of this bill. The changing of a single industry on how they are assessed taxes goes right to our core values and goes against Article 10 of the *Nevada Constitution*. For the last three sessions we have had long conversations—multiple different conversations—with the industry on this bill. We have been very open and have given our concerns every time, but that has been a one-way street. We have not had any data given to us. They talk about the other states and that the tax was not repealed. We have asked for information on those states. We have not received any of that, so it is hard for us to have a good understanding of what this is going to do. Yes, it has been stated it is revenue neutral, but without having numbers and being able to look at that as an assessor, it is really hard to understand. There are concerns from the local governments and from the assessors' offices. We currently do not have a mechanism to collect a tax like this. Currently we assess valuations from real property and personal property, and we push that over to the Treasurer. Those are already outlined in the correct taxing districts, and then we are able to collect them and distribute them properly. We do not have a mechanism to do that, and we do not know what that additional cost will be from our CAMA [computer assisted mass appraisal] vendors to install that in our systems.

The last thing, and we have said it before. There has been additional testimony in previous committee hearings about the current laws or current regulations that allow rental companies to collect or charge for reimbursement of property taxes, and that is *Nevada Administrative Code* (NAC) 372.940. The other thing we have proposed to the proponents of this bill, or the industry, is why not take two years, add a 2 percent rental tax to your invoices, and see where you are at the end of the year as far as taxes, since they do have the opportunity to do that in law.

Assemblywoman Cohen:
Have you received the data that you requested to show that this was going to be revenue neutral?

Andy Heiser:
At this time, no, we have not.

Assemblywoman Cohen:
Thank you. I will have a question for Mr. Nakamoto later.

Briana Johnson, Assessor, Clark County:
I am in opposition to S.B. 233 (R1). I ditto everything my colleague, Andy Heiser, has mentioned. There are 17 of us in the state of Nevada, and we are in opposition to this bill. As Mr. Heiser mentioned, Article 10 of the *Nevada Constitution* establishes that law shall provide for a uniform and equal rate of assessment and taxation. We hold firm to that belief.

This legislation could open the door for other companies to seek a more favorable method of taxation. We have many companies that do business with us throughout the state. They lease medical equipment, as you well know, printers throughout all businesses, even in the state building, in our buildings, and government buildings. That can open the door for them to seek this type of tax. Our taxes fund critical services in our communities, and this revenue will take away from that. If it is truly revenue neutral, why do we have to create such a complicated system when they can continue to report to us like all other businesses do? July 1 is the lien date by law, and July 1 is the lien date for all real and personal property in the state. It does not mean that another business owner, who owns the same piece of heavy equipment, who may purchase that heavy equipment after July 1, is not subject to taxation until the following year. That is no different than someone who purchases that piece of equipment on June 30. They are subject to the taxation for that coming fiscal year because they purchased it as of the lien date. The same goes for real property. July 1 is the lien date.

If a new house is not 100 percent complete as of July 1, they are taxed the following fiscal year. The lien date is the law. Nevada is a state-owned state on purpose. I am not sure how the other state's tax dollars fund their states. I just know how those dollars fund our community in Nevada.

Again, as assessors we owe it to our property owners to stand in opposition to this bill for equity purposes. There is a standard business owner who does not rent his backhoe, track hoe, excavator, who is now paying a tax that the heavy equipment rental companies do not have to pay because they rent. That is not equitable taxation to us, as all the assessors in this state. Thank you for your time and I hope you consider our comments.

Chair Backus:
We will now come back to Carson City.

Vinson Guthreau:
I serve as the executive director of the Nevada Association of Counties (NACO), and we collectively make up all 17 of Nevada's counties. I am here to testify in opposition to S.B. 233 (R1), which affects personal property taxes assessed on heavy equipment. As has been mentioned, similar bills to S.B. 233 (R1) have been introduced in prior sessions, and

while this bill language is different, we think it creates a more complicated system and will impact local revenues and equitable taxation in similar ways. For these reasons our opposition to this proposal remains.

The Nevada Association of Counties has testified in opposition on similar proposals and in multiple hearings on this legislation during this session. You will see on the Nevada Electronic Legislative Information System (NELIS) there have been questions about revenue neutrality. I think that should also apply to local governments. You will see some fiscal notes on NELIS and those fiscal notes remain despite the reprint, and for the purpose of this Committee I did want to highlight some of the services that have been mentioned, and you will hear from individual counties. We support those comments as well, and they can go into details there.

In Clark County, this funds 911 services, public safety, and it also services our most vulnerable populations. In Washoe County, this current revenue source funds similar services such as public safety, indigent care, libraries, library services, and our family courts. Again, we looked to see some of the revenue neutrality that has been mentioned. I think right off the bat the legislation is not revenue neutral to the counties, as there is a deduction in that commission. I will leave it at that. You have heard from plenty of experts. The Nevada Association of Counties supports the testimony of our assessors, and we thank the Committee for the opportunity to testify [Exhibit G].

Cadence Matijevich, Government Affairs Liaison, Office of the County Manager, Washoe County:
As you have heard this evening, we do not believe this bill comports with Section 1.1 of Article 10 of the *Nevada Constitution*, which calls for uniform and equal taxation. Heavy equipment owned by rental companies would be taxed differently than heavy equipment owned by other companies. Additionally, other types of equipment rented to the public would be taxed differently than heavy equipment. This bill purports to relieve the heavy equipment rental industry from the burden of paying personal property taxes. If indeed this burden exists, we believe that there is an existing remedy that the industry could take advantage of today, which would also provide the transparency that the proponents have indicated they support. Following Nevada's becoming a full member of the Streamlined Sales and Use Tax Agreement in April 2008, the Department of Taxation adopted Legislative Counsel Bureau File No. R105-09, which sets forth regulations pertaining to taxation of leases and rentals.

As Mr. Heiser said, specifically NAC 372.940, subsection 3(b) contemplates a charge for the reimbursement of property taxes. While overall this may be a revenue-neutral bill, we do not think the cost of administration has been addressed. We would receive less funding than we do today because of the commission that would be paid to the Department of Taxation, and in our calculation it looks like the General Fund will pick up $553,813 of that burden over the course of the coming biennium. Washoe County is opposed.

Joanna Jacob, Manager, Government Affairs, Clark County:
I concur with the comments of NACO and Washoe County. I know you have a lot on your plate. From Clark County's perspective, we are a larger county. There are 112 taxing districts within our county that our assessor distributes at the county level today, so we are based on our collecting the property tax and it automatically goes out to those taxing districts.

We are struggling with the fact that this is a redirection to the state of the county collected tax and we are concerned with the precedent of taking a county revenue and giving it to the state to administer when it is already administered at the county level. In the county, our fiscal note on this measure says $2.5 million. Even though we hope this is revenue neutral, I will say we have been given a number that was in the aggregate statewide, so we were not able to verify county by county.

Sitting on the Assembly Committee on Revenue, you know very well in Clark County property tax is one pool. There have been numerous bills this session where we have talked about what we are going to do with property tax. Are we going to redirect it? Are there other uses? For Clark County, at the end of the session is a cumulative impact that we must take a look at and see, because property tax in our community pays for 911; it pays for Metro [Las Vegas Metropolitan Police Department]; it pays for fire; it pays the debt on our Clark County School bonds when we construct new schools; it pays for indigent care; and it funds our hospital, cooperative extension programs, and family courts. These are critical services, and this is how we fund those services in this state. That is why we are opposed because this is something we have struggled with. I concur with the testimony of my assessor as well.

Chair Backus:
We will go to Las Vegas. Is there anyone in Las Vegas wishing to give testimony in opposition to S.B. 233 (R1)? [There was no one.] Is there anyone on the phone lines wishing to give testimony in opposition to S.B. 233 (R1)?

Jana Seddon, Assessor, Storey County:
I am here to oppose S.B. 233 (R1). I am going to ditto what my fellow assessors, Andy Heiser and Briana Johnson, have stated. I would also like to mention based on what Jeff Mitchell testified to, this is not revenue neutral for the smaller counties—the rural counties—because most of the smaller counties do not have rental locations in their county.

How it currently is, two things would happen. You pay taxes based on the location of equipment, and that also tells us the tax district. In the larger counties and the smaller counties, taxes are not going to be going to those individual tax districts, but in the rural counties the money is not even going to be coming to the counties at all. It is going to be going to the larger counties that have these rental locations. That is a huge issue for the smaller rural counties. Again, I am opposed to S.B. 233 (R1).

Chair Backus:
We will now go to neutral testimony. Is there anyone here in Carson City wishing to give testimony neutral on S.B. 233 (R1)?

Jeff Mitchell:
I just want to clarify that we are neutral to the bill, and we will administer the laws as best we can in a fair and equitable way. We are ready to answer any questions the Committee may have.

Assemblyman Orentlicher:
One of the things that seemed concerning that was raised by the proponents is the way you can game the current system. Are there comparable ways to game this reform, or is that a virtue of the reform, that it is harder to game the system?

Jeff Mitchell:
That is an interesting question that I am not sure I have an answer to. It is hard to foresee loopholes and things that may occur. I am afraid I do not have a great answer to that question, and I apologize.

Chair Backus:
Do we have any other questions from the Committee members for the Department of Taxation? [There were none.] We will go to neutral testimony in Las Vegas. Is there anyone in Las Vegas wishing to give testimony neutral on S.B. 233 (R1)? [There was no one.]. Is there anyone on the phone wishing to give testimony neutral on S.B. 233 (R1)? [There was no one.]

I am going to let Assemblywoman Cohen ask her question of our Fiscal staff.

Assemblywoman Cohen:
I want to know about the $350,000 and the 0.75 percent. How much in rentals per year would that be to get to $350,000 if we are doing the 0.75 percent?

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst:
Based on the FY 2025 appropriation of $350,023, it would require approximately $46.7 million in tax to be generated from the 2 percent tax, which would be based on approximately $2,000,333,000 in rental activity for FY 2025.

Chair Backus:
Do the bill presenters have any closing remarks?

Chris Ferrari:
I would like to address a few of the things mentioned by the opponents to the bill. I would also like to let the Committee know we have tried very hard to work with the industry for a long time. Following the 2019 Session, we were told by the assessors, We do not wish to work with you any longer. In the spirit of good faith, it is important the Committee know this, as there are implications there was not a positive exchange of information.

I want to address the constitutional allegations. Article 10, Section 1 of the *Nevada Constitution* already exempts from ad valorem taxes any mobile equipment held as rental inventory. An amendment enacted in 1978 provides that: "The Legislature shall provide by law for a progressive reduction in the tax upon business inventories by 20 percent in each year following the adoption of this provision, and after the expiration of the 4th year such inventories are exempt from taxation." This addition required the Legislature to enact a statutory phase-out over those first four years, but after the initial transition period the exemption became independent of any legislative approval or provision. Neither the Legislature nor any local tax officials have any authority to restrict or otherwise place any limits on this explicit constitutional inventory exemption, and nothing in the *Nevada Constitution* or the *Nevada Revised Statutes* supports a narrow interpretation of this clause to exclude rental inventories.

Secondly, you heard a laundry list of services this tax supports. You heard Ms. Jacob and others mention those. There is an indicator that information has not been provided. What I am hearing here today is the assessors do not know how much revenue is coming in. I do not know why that is a mystery or why that would be on the industry when that process is already in place and the tax is being collected. I just wanted to place that on the record as well.

Also mentioned, we want to look at special mobile equipment when we are talking about different treatment thereof. This is from the Department of Motor Vehicles' website [Exhibit H]. It says, "Special Mobile Equipment is exempt from vehicle registration and may be exempt from fuel taxes." There is all kinds of information on this topic.

In terms of the fairness and application of taxation, I want to give the Committee a couple of examples for your reference. A backhoe owned by a short-term equipment rental company has a property tax assessed and paid by the lessor. For a backhoe owned by Backhoe Sales LLC, there is no property tax paid. For mobile equipment, if you have a backhoe owned by one business that claims and is assessed the seven-year economic life depreciation, and all other equipment rental companies, even though they request the mobile equipment seven-year depreciation, they are assessed using a 15-year economic life depreciation. A backhoe owned by Equipment Capital Leasing Inc., a property tax is assessed on the equipment and it is paid by the lessee. I just wanted to give you a few examples that there are varying degrees of taxation, so this does meet equity standards. I want to thank the Committee for their time this evening. I know this is a complicated topic. I believe Mr. Gordon is also at the table if there are any technical questions that need to be answered.

Chair Backus:
I think we are okay. I will close the hearing on S.B. 233 (R1) and open the hearing on Senate Bill 126 (2nd Reprint). Welcome, Senator Neal.

Senate Bill 126 (2nd Reprint): Revises provisions relating to the NV Grow Program. (BDR S-791)

Senator Dina Neal, Senate District No. 4:
Senate Bill 126 (2nd Reprint) is a program I have had since 2015. It has several business partners. I want to show you a short video because I think it helps break down what NV Grow is, then I will get into the actual bill. [A video was presented, Exhibit I].

I wanted to show that video because when we started this in 2015, we were just doing English. The video shows all the languages our counselors represent. We have tried to build the program to go across different demographics and different cultural groups. This bill is a continuation of the program that was started in 2015.

Currently we have the Urban Chamber, the Chamber of Commerce, the Latin Chamber, and this bills adds the African Chamber. We have the Henderson Chamber, Asian Community Development Council, the Valley Center Community Operative Zone, and some other chambers. The chambers have come in because they are partners.

Here is the structure. We do a series of services for free to businesses, and our chambers are marketing arms that also feed businesses into the program. Over this period of time, we have managed to develop a really nice network of a business ecosystem that we have and we did it off of roughly $450,000 over the biennium—$450,000 over two years. We have pretty much stayed at that number up until this bill. This bill expands the amount of money the program will apply for in order to continue to grow, to increase the marketing dollars we give to our chamber partners so we can hopefully build out our Blackstone entrepreneurship center.

This started out with data. I strongly believe that data was the center point on how businesses could change their directive and how they could grow. Now we do Web design marketing. The peer-to-peer mentoring is something that took a while to grow into, but we are growing into it now. We are now doing practice pitch sessions, and because we got a grant through Blackstone, there is an entrepreneurship center that is at the College of Southern Nevada campus. It is a blank slate, but we hope to build it out and allow for entrepreneurs who are more on the microbusiness level to come in and try to figure out how to get services.

Cooperative Extension is now added into this bill as a partner because we need to expand our business counseling, we need to expand our business counseling expertise in our bench, and so the idea was to take some of the programs and classes the Cooperative Extension is already naturally doing—they have branched into the business space—and then add them into the NV Grow infrastructure to just make it more robust and allow for more expertise to come on the table.

Right now, we have an accountant. We have someone who can help do tax analysis. We had an on-call intellectual property (IP) attorney who was coming in and helping with some of the IP needs some of our businesses had. We were looking for a very specific IP attorney who was focused on chemistry because there actually is a very different development there.

This bill is basically a reauthorization that allows us to continue to be NV Grow, grow our ecosystem, add in the African Chamber, add in Cooperative Extension, and continue to do the work I feel is represented from the video [Exhibit I], where we had our counselors come in and speak in another language—saying we speak the language of business. That has been our goal—to touch point in all the communities in southern Nevada. With that, I open myself up for questions.

Assemblywoman Cohen:
I have loved this program since I first heard about it in 2017. I have especially liked the data portion of it. Can you give the Committee a bit of the feel of the data being provided to the business owners?

Senator Neal:
When we first started in 2015, we had a rough start. It takes two years to build a program up. We had about 15 businesses then. Right now, we have 847 businesses. The best way to give you a feel of the data is to give an example. Let us say you have a business that wanted to come in and sell milk in Zip Code 89011. We would do a business profile for that business, find out how many milk drinkers there are in Zip Code 89011 and what they spend in terms of their income on milk. We would literally do a tapestry for them around data. Then we sit down with them and break the data down, helping them understand. Let us say you have 10,000 milk drinkers in that particular Zip Code. The data does not break down whether somebody is lactose intolerant, but it will at least dial into the market, then tell them this is the spend in order for you to go in there.

After we sit down and give them this whole tapestry of data, we teach. The idea is once we teach you how to use that data, you can implement it in your business model and implement it to allow yourself to make appropriate business decisions on where you should go. That data is free. We use three different data programs in order to dial data down. That person would come in, the business counselor would sit with them and say, This is what you need to know going forward, then we would track how those business decisions have helped them. We had a geographic information system (GIS) specialist. We are looking for a new GIS specialist.

Now that we have Web design and marketing, we can build their website, see how a new Web design is attracting new customers, and figure out if there is a return on investment associated with any of the programmatic structures we have given them, because a lot of the benchmarks are: Did this business decision change your revenue? Did it change your customer base? Did it change your employee base? If so, we have a report that then comes back and details what has changed. We want to see for sure that the whole point of your being in NV Grow is your economic position changed as a business.

Chair Backus:
As we do not have any other questions from members of the Committee, I will open testimony in support of S.B. 126 (R2).

Dylan Keith, Assistant Director, Government Affairs, Vegas Chamber:
We would like to thank Senator Neal for once again bringing forward this program. It honestly does speak for itself. The businesses that are in this program always see incredible growth. Because it is data driven, they are looking at where their best positioning is and how to best market their business. Not only that, but because of the growth of these businesses, the program does generate a return on investment for the state. Not enough good things can be said about this program. We ask for your support.

Sheila Bray, Community Partnerships Coordinator for Clark County, Extension, University of Nevada, Reno:
I am here to speak a little more specifically to the points Senator Neal talked about with the Cooperative Extension. We are grateful for her coming to us and looking to us as a resource. We have a small business education program that is more large scale than general education based that really takes business owners and entrepreneurs through what you need to do to grow your business and start a business here in Nevada.

When Senator Neal came to us looking for more specific detailed education, we talked through what that could look like. That is what this allocation would do, taking what we do existing and build it out to be more specific for those NV Grow constituents. We have worked closely with Senator Neal throughout NV Grow's existence, and just as the previous speaker stated, it is a true testament to what we can see grow with our small business and entrepreneurs when you provide one-on-one education and really work them through their specific needs. We are in support.

Chair Backus:
We will go to Las Vegas. Is there anyone in Las Vegas wishing to give testimony in support of S.B. 126 (R2)? [There was no one.] Is there anyone on the phone lines wishing to give testimony in support of S.B. 126 (R2)? [There was no one.]

We will go to testimony in opposition. Is there anyone here in Carson City wishing to give testimony in opposition to S.B. 126 (R2)? [There was no one.] We will go to Las Vegas. Is there anyone in Las Vegas wishing to give testimony in opposition to S.B. 126 (R2)? [There was no one.] We will now go to the phone lines. Is there anyone on the phone lines wishing to give testimony in opposition to S.B. 126 (R2)? [There was no one.]

We will go to neutral testimony. Is there anyone on the phone lines who wishes to give testimony neutral on S.B. 126 (R2)? [There was no one.] Is there anyone in Carson City wishing to give testimony neutral on S.B. 126 (R2)? [There was no one.] Is there anyone in Las Vegas wishing to give testimony neutral on S.B. 126 (R2)? [There was no one.]

I will close the hearing on S.B. 126 (R2), and because we have waived the 24-hour rule, I will open the work session on Senate Bill 126 (2nd Reprint).

Senate Bill 126 (2nd Reprint): Revises provisions relating to the NV Grow Program. (BDR S-791)

Chair Backus:
There is no amendment. I will entertain a motion to do pass S.B. 126 (R2).

ASSEMBLYWOMAN SUMMERS-ARMSTRONG MADE A MOTION TO DO PASS SENATE BILL 126 (2ND REPRINT).

ASSEMBLYWOMAN CONSIDINE SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

THE MOTION PASSED UNANIMOUSLY.

I will take the floor statement. I will close the work session on S.B. 126 (R2) and open the hearing on Senate Bill 428.

Senate Bill 428: Proposes to exempt sales of diapers from sales and use taxes and analogous taxes upon approval by the voters. (BDR 32-1033)

Senator Edgar Flores, Senate District No. 2:
I am here to present Senate Bill 428. By way of context, I would like to provide some background on how we got to this bill. I do not think there is a lot of walking through the bill. More importantly, I want to talk about what this bill philosophically means and what message we are sending to our families. I am joined in Las Vegas by my friend, Ms. Maxwell, the executive director of Baby's Bounty.

During the interim, we have the opportunity to meet with stakeholders and work with individuals from our community who are doing amazing work. I had the opportunity to work with another close friend of mine, our Lieutenant Governor, Ms. Lisa Cano Burkhead. Through my relationship and friendship with her, she said I needed to meet one of the most amazing human beings in the state of Nevada, and therein comes our executive director, Ms. Maxwell. I will let her tell you about Baby's Bounty, but I will say they provide diapers to families all over the state of Nevada. They recently had a grand opening in northern Nevada. Some of you may have had an opportunity to either tour that or maybe participated a little bit.

In our conversations, one of the things she was shocked to know was that in Nevada we are still taxing diapers. There are many other states that do not do this. Why is this important? One of the questions posed is, Well, we do not tax diapers, that is money that would have been going to the General Fund, may have been going to place A, place B, or place C, that we are now no longer getting. I like to think of it a little bit differently. The reason I say this is, every single penny a parent saves, they are going to spend it on that child differently. In other words, if you are saving money on diapers, you will probably turn around and utilize that same money to maybe buy some food for that child, clothing for that child, or essential needs for that child. This also applies to adult diapers, but the majority of the conversation will focus on babies.

I wanted to say that because I know you all have probably already looked at the fiscal note, because that is what we do, and you start questioning and asking questions about that. I also wanted to say that it is an estimate. Obviously, we do not know the exact number. That was an estimate put together by our amazing Fiscal staff here in your Committee who helped me with the amendment, and I am incredibly appreciative of the research and time put into that.

With that, I will turn it over to Ms. Maxwell and let her tell you about all the amazing work she does.

Kelly Maxwell, Executive Director, Baby's Bounty, Las Vegas, Nevada:
Baby's Bounty is a 15-year-old nonprofit that has been working here in Nevada to improve health outcomes for families living in poverty. Three years ago as a result of the pandemic, we launched our diaper bank program. We have now distributed 3 million diapers and 6 million wipes to 37,000 of Nevada's tiniest residents. We have locations in Las Vegas, North Las Vegas, Henderson, and as Senator Flores mentioned, we recently opened in Reno-Sparks, and we have mobile diaper banks in both the north and south to address the diaper needs in the rural communities as well. I am also the governor-appointed chair of the Statewide Diaper Resource Committee.

Some key facts about S.B. 428, and also diaper need in general, is 1 in 3 families in the United States struggle to provide enough diapers to keep their baby clean, healthy, and dry. The poorest fifth of Americans who buy diapers spend nearly 14 percent of their posttax income on them. Without enough diapers, infants and toddlers are at risk of skin infections, urinary tract infections, viral meningitis, and a host of other medical conditions that can require medical attention. Most diaper banks have seen a 2- to 3-times increase in demand since the pandemic, and on average increased distribution by 86 percent. Diapers have increased in cost by as much as 185 percent since the onset of the pandemic, and that is dependent on the brand.

Why do we seek to exempt diapers from sales tax? Families spend at least $1,080 on average per year on diapers, which means that on average, Nevada families will spend an extra $90 a year due to the sales tax. With the yearly tax savings, families will be able to purchase roughly a month's supply of diapers. Diapers provide opportunities for both children and their parents. Parents who are unable to access child care because of lack of diapers missed work on average four days per month. Seventeen states and Washington, D.C., have permanently exempted diapers from sales tax, including most recent additions of Indiana, Iowa, and Virginia. I believe South Dakota and Texas have also passed this. They are just waiting on the governors' signatures.

Two key points: This bill does not eliminate the tax. It allows this item to appear as a ballot measure on the 2024 ballot and allows the voters to decide. To echo what Senator Flores said, sales tax is not a zero-sum game, assuming that these parents will use the savings to then purchase other items that will presumably be taxable. The revenue does not just go away. It is spent on other items. They can save that sales tax and have more money in their budget for other essential supplies that have also increased in cost during the pandemic and as a result of inflation. That is what I have for you tonight. Thank you for your time.

Chair Backus:
We are not the fiscal committee, so we are looking at the policy. This is going to go on the ballot in 2024 because of what our laws require. The impact would happen in the next real biennium by the time it went into effect. I just wanted to put that on the record because the fiscal note I pulled up was by the Department of Taxation. With that, we do have a question for you from Assemblywoman Cohen.

Assemblywoman Cohen:
I have a drafting question. In section 10 it defines diapers to include diapers for a child or an adult, but in section 4 on page 3, line 39, which is what will go on the ballot initiative, it just says "diapers." I am wondering if it needs to be spelled out more so the voters understand it is for adult and child diapers?

Senator Flores:
It is my understanding we were good to go as is, but maybe our amazing Fiscal staff could provide some further clarification.

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst:
I believe as the process goes through, there is the question that would appear, but then there are summaries, condensation, and explanation, so it would also be part of the sample ballot. At that point it would probably be likely to describe this is indeed diapers for adults and children.

Assemblyman O'Neill:
I assume we are talking disposable diapers. When I had younger children we bought cotton diapers that were washable. Would these be included as being nontaxable?

Senator Flores:
Yes. Just reading the language, diaper to mean any type of diaper intended for use by a child or an adult, including without limitation, a disposable diaper. Reusable, in my opinion, would also be captured in that specific definition.

Assemblyman O'Neill:
Do they still have washable diapers? I did not want to make the assumption it was just for the disposable diapers.

Assemblyman Nguyen:
I just have one simple but maybe difficult question for you, Senator Flores. Could I be added as a cosponsor on this?

Chair Backus:
If we were to substantively amend this bill, and it happened to go over to the Fiscal Division or our Assembly Committee on Ways and Means for some weird reason, I would think about that for you. If we are to move it out of Committee today, I am hoping we could just do pass it and not have to amend. With that, I will open testimony in support of S.B. 428.

Joanna Jacob, Manager, Government Affairs, Clark County:
I just wanted to go on the record because Senator Flores had a giant stack of support letters in his hearings before the Senate. I do not see those on the Nevada Electronic Legislative Information System. Included in those letters were two letters from my Clark County commissioners in support of this measure. I wanted to put their support on the record, from Commissioner McCurdy and Commissioner Naft.

Vanessa Dunn, representing Children's Advocacy Alliance:
One in three U.S. families struggle to provide enough diapers to keep their baby clean, dry, and healthy. The Children's Advocacy Alliance is in strong support of this legislation. Thank you for your consideration.

Chair Backus:
We will go to Las Vegas. Is there anyone in Las Vegas who wishes to give testimony in support of S.B. 428? [There was no one.] Do we have anyone on the phone lines wishing to give testimony in support of S.B. 428? [There was no one.]

We will come back to Carson City. Is there anyone in Carson City wishing to give testimony in opposition to S.B. 428? [There was no one.] Is there anyone in Las Vegas wishing to give testimony in opposition to S.B. 428? [There was no one.] Is there anyone on the phone lines wishing to give testimony in opposition to S.B. 428? [There was no one.]

We will go to neutral testimony. Is there anyone in Carson City wishing to give testimony neutral on S.B. 428? [There was no one.] Is there anyone in Las Vegas wishing to give testimony neutral on S.B. 428? [There was no one.] Is there anyone on the phone lines wishing to give testimony neutral on S.B. 428? [There was no one.] Does Senator Flores have any closing remarks?

Senator Flores:
I want to encourage everyone to learn more about Baby's Bounty and Ms. Maxwell. They really do amazing work, and I do not think they get nearly as much love and credit as they deserve. If you have not had an opportunity to do so, partner up and help them continue to do the amazing work they do.

Chair Backus:
I will close the hearing on S.B. 428 and open the work session on Senate Bill 428.

Senate Bill 428: Proposes to exempt sales of diapers from sales and use taxes and analogous taxes upon approval by the voters. (BDR 32-1033)

Chair Backus:
I will entertain a motion to do pass S.B. 428.

ASSEMBLYMAN NGUYEN MOVED TO DO PASS SENATE BILL 428.

ASSEMBLYWOMAN MOSCA SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMAN HAFEN WAS ABSENT FOR THE VOTE.)

I will open the hearing for public comment. Is there anyone in Carson City wishing to give public comment this evening? [There was no one.] Is there anyone in Las Vegas wishing to give public comment this evening? [There was no one.] Is there anyone on the phone lines wishing to give public comment this evening? [There was no one.]

This may or may not be our last meeting. I wanted to put on the record and thank our staff, our Committee members, and if we are back, I will get to do this again. I truly appreciate everything everyone has done. I really have enjoyed our Assembly Committee on Revenue this year and appreciate each one of you. We are adjourned [at 7:23 p.m.].

RESPECTFULLY SUBMITTED:

Gina Hall
Committee Secretary

APPROVED BY:

Assemblywoman Shea Backus, Chair

DATE:

EXHIBITS

Exhibit A is the Agenda.

Exhibit B is the Attendance Roster.

Exhibit C is a document titled "Principles for the Taxation of Business Personal Property," by the National Conference of State Legislatures, submitted by Chris Ferrari, representing American Rental Association; and United Rentals, regarding Senate Bill 233 (1st Reprint).

Exhibit D is a copy of a PowerPoint presentation titled "SB 233: Revises Provisions Governing Taxes Imposed on Certain Heavy Equipment," submitted and presented by Chris Ferrari, representing American Rental Association; and United Rentals, regarding Senate Bill 233 (1st Reprint).

Exhibit E is a letter dated June 2, 2023, submitted by John W. McClelland, Ph.D., American Rental Association, in support of Senate Bill 233 (1st Reprint).

Exhibit F is a document dated June 2, 2023, titled "Resolution in Favor of Tangible Personal Property Tax Repeal," submitted by Chris Ferrari, representing American Rental Association; and United Rentals, regarding Senate Bill 233 (1st Reprint).

Exhibit G is a memo dated June 2, 2023, titled "Local Government Concerns Regarding Senate Bill 233," submitted by Vinson W. Guthreau, Executive Director, Nevada Association of Counties, in opposition to Senate Bill 233 (1st Reprint).

Exhibit H is a document titled "Special Mobile Equipment," submitted and presented by Chris Ferrari, representing American Rental Association; and United Rentals, regarding Senate Bill 233 (1st Reprint).

Exhibit I is a video titled "NV Grow speaks the language of small business," submitted and presented by Senator Dina Neal, Senate District No. 4, regarding Senate Bill 126 (2nd Reprint).