

AJR 16 - 2005

Introduced on: Mar 29, 2005

By Elections, Procedures, Ethics, and Constitutional Amendments

Proposes to amend Nevada Constitution to provide requirements for enactment of property and sales tax exemptions. (BDR C-422)

Fiscal Notes

Effect on Local Government: *No.*

Effect on State: *No.*

Most Recent History Action:
(See full list below)

File No. 66. **Return to 2007 Session.**

Past Hearings

Assembly Government Affairs	Apr-07-2005	Pending
Assembly Government Affairs	Apr-11-2005	Do pass
Senate Taxation	May-05-2005	Do pass

Votes

Assembly Final Passage	Apr-19	Yea 42,	Nay 0,	Excused 0,	Not Voting 0,	Absent 0
Senate Final Passage	May-11	Yea 21,	Nay 0,	Excused 0,	Not Voting 0,	Absent 0

Bill Text (PDF)

As Introduced

As Enrolled

Statutes of Nevada 2005

File No. 66

Bill History

Mar 29, 2005	Read first time. Referred to Committee on Government Affairs. To printer.
Mar 30, 2005	From printer. To committee.
Apr 12, 2005	From committee: Do pass.
Apr 14, 2005	Read second time.
Apr 15, 2005	Taken from General File. Placed on General File for next legislative day.
Apr 18, 2005	Taken from General File. Placed on General File for next legislative day.
Apr 19, 2005	Read third time. Passed. Title approved. (Yeas: 42, Nays: None.) To Senate.
Apr 20, 2005	In Senate. Read first time. Referred to Committee on Taxation. To committee.
May 06, 2005	From committee: Do pass.

May 09, 2005 Read second time.

May 10, 2005 Taken from General File. Placed on General File for next legislative day.

May 11, 2005 Read third time. Passed. Title approved. (Yeas: 21, Nays: None.) To Assembly.

May 12, 2005 In Assembly. To enrollment.

May 16, 2005 Enrolled and delivered to Secretary of State.

File No. 66.

Return to 2007 Session.



PREPARED BY
RESEARCH DIVISION
LEGISLATIVE COUNSEL BUREAU
Nonpartisan Staff of the Nevada State Legislature

BILL SUMMARY
73rd REGULAR SESSION
OF THE NEVADA STATE LEGISLATURE

ASSEMBLY JOINT RESOLUTION NO. 16
(Enrolled)

Topic

Assembly Joint Resolution No. 16 proposes to amend the *Constitution of the State of Nevada* to provide requirements for property and sales tax exemptions.

Summary

This resolution proposes to amend the *Constitution of the State of Nevada* to provide requirements for the enactment of property and sales tax exemptions. The Legislature shall not enact an exemption from any ad valorem tax on property or excise tax on the sale, storage, use, or consumption of tangible personal property sold at retail unless the exemption:

- Will achieve a bona fide social or economic purpose and the benefits are expected to exceed any adverse effects on services to the public; and
- Will not impair the ability of the State or a local government to pay all interest and principal on any outstanding bonds or any other obligations when due.

If the Legislature enacts an exemption, the Legislature shall:

- Ensure that the requirements for claiming the exemption are similar for similar classes of taxpayers; and
- Provide a specific date on which the exemption will cease to be effective.

Effective Date

If approved in identical form during the 2007 Session of the Legislature, the proposal will be submitted to the voters for final approval or disapproval at the 2008 General Election.

LEGISLATIVE HEARINGS

MINUTES AND EXHIBITS

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Third Session
April 7, 2005**

The Committee on Government Affairs was called to order at 7:36 a.m., on Thursday, April 7, 2005. Chairman David Parks presided in Room 3143 of the Legislative Building, Carson City, Nevada, and, via simultaneous videoconference, in Room 4412 of the Grant Sawyer State Office Building, Las Vegas, Nevada. Exhibit A is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Mr. David Parks, Chairman
Ms. Peggy Pierce, Vice Chairwoman
Mr. Kelvin Atkinson
Mr. Chad Christensen
Mr. Jerry D. Claborn
Mr. Pete Goicoechea
Mr. Tom Grady
Mr. Joe Hardy
Mrs. Marilyn Kirkpatrick
Mr. Bob McCleary
Mr. Harvey J. Munford
Ms. Bonnie Parnell
Mr. Scott Sibley

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblyman John Carpenter, Assembly District No. 33, Elko County
and Humboldt County (part)
Assemblywoman Barbara Buckley, Assembly District No. 8, Clark
County

equipment we provide, and that kind of thing. All of those definitions are already in there.

Assemblyman Parks:

Does your equipment product line include things like adaptive-use vans for persons with medical disabilities?

Robin Nyberg:

Mine does not, but I have a colleague that does.

Assemblyman Parks:

My curiosity runs to things Mr. Claborn had talked about—like the ATV—and I was just wondering if vans that were adapted for people with handicaps might also fall under this definition.

Robin Nyberg:

It would depend on whether it's prescribed by a physician. Most insurance companies do not recognize that cost, and therefore, it is passed onto the consumer.

Vice Chairwoman Pierce:

I will close the hearing on A.B. 430 and open the hearing on A.J.R. 16.

Assembly Joint Resolution 16: Proposes to amend Nevada Constitution to provide requirements for enactment of property and sales tax exemptions. (BDR C-422)

Michael Alastuey, Legislative Advocate, representing Clark County, Nevada:

Assembly Joint Resolution 16 proposed a constitutional amendment, which, in effect—listening to much of today's discussion—is quite pertinent in that it would, if passed, provide the Legislature with a specific framework to consider and enact tax exemptions. I'm sure you got the feel today, hearing all manner of somewhat persuasive arguments from different sectors of the economy, that tax exemptions do indeed serve an excellent purpose, and in fact, some may have more merit than others. I think we heard from Mr. Goicoechea and some of this colleagues with agricultural interests that some may have more merit than others. When all those questions were put together in a single ballot question, it actually prevented individual consideration of the merits of those. So, I think that stands as a good framework for this discussion.

[Michael Alastuey, continued.] Assembly Joint Resolution 16 is really a resurrection of S.J.R. 1 of the 17th Special Session. By the time it reached the 2003 Session for its second legislative consideration, it was found that that particular measure had some flaws in it. When you work with legislative language, the difference between the word “and” and “or” can become very significant, and that was a significant part of the demise of S.J.R. 1 of the 17th Special Session. The Legislative Committee and the technical advisors worked pretty hard on A.J.R. 16, which you’re looking at today.

If I could just describe it briefly: it would apply to exemptions that you would enact for both sales taxes and property taxes, and there would need to be specific legislative findings made before enactment:

- It would achieve a bona fide social or economic purpose, and the benefits of the exemption are expected to exceed any adverse effects of the exemption on provision of services to the public by state and local government, which would otherwise receive the revenue.
- It would not impair the ability of state or local government to pay back bonded debt.
- In enacting an exemption from any of the sales tax, the Legislature shall ensure the requirements for the exemption are as similar as practicable for similar taxpayers, and each such exemption shall have a sunset date. We think that this stands alone on its merits.

It would not impede consideration of any of the measure that you are considering today. It is separate, apart, and independent. It would require your approval this session, Legislature approval next session, and then it would be placed on the ballot subsequent to that. Its effective date is well down the road. The measures that you are considering at this time can take their separate tracks.

Carole Vilardo, President, Nevada Taxpayers Association:

I am speaking in support of the bill just for the reason that it does set up some parameters before exemptions are granted, and the reason it’s in the *Constitution*, as we found out, working and testifying with the 353 Committee or 257, one of the things that happened was that we were looking at a statutory change. Then, Legislative Counsel Bureau’s Legal Division informed the members of the Committee that by doing a statutory change, the Legislature itself could ignore this. So, it was decided to go for a constitutional change, which cannot be ignored. So, you definitely have to make the finding, and we’re very supportive of that.

Vice Chairwoman Pierce:

Are there any questions? Is there anyone else who would like to speak on A.J.R. 16? Seeing none, we will close the hearing on A.J.R. 16.

Chairman Parks:

The first bill for our work session is A.B. 170.

Assembly Bill 170: Provides for administration of National Guard ChalleNGe Program in this State. (BDR 36-750)

Susan Scholley, Committee Policy Analyst, Legislative Counsel Bureau:

[Distributed Exhibit Q.] Assembly Bill 170, related to the National Guard ChalleNGe Program, was sponsored by Assemblyman McCleary. The bill does contain an appropriation. It is concurrently referred to Assembly Ways and Means, and it has a notice of eligibility for exemption. There was lots of testimony in support and no testimony in opposition. There were no proposed amendments to the substance or policy of the bill other than a suggested change to the Digest. However, General Giles Vanderhoof did want the appropriation corrected, although that may be a better matter for Assembly Ways and Means to deal with.

There is a fiscal impact at the state government level. It contains an appropriation not contained in The Executive Budget. We have been advised by the Fiscal Division that this bill is exempt from the requirements for a fiscal note since it contains an appropriation. With that, it would be appropriate for the Committee to consider action on the bill.

ASSEMBLYMAN GOICOECHEA MOVED TO DO PASS
ASSEMBLY BILL 170.

Assemblyman McCleary:

In the original language, it says they can get their high school diploma. It's a six-month program. It's really an advanced program. If you have enough credits, they can get you your high school diploma, but sometimes if you don't, they want to give you your GED, and it was just a mistake not to put "GED" in the original wording. So, it's high school diploma or GED. That needs to be added.

If you want to wait on the fiscal part of that until it goes to Ways and Means and let them do that part, it is fine with me. We do need the GED in that.

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Third Session
April 11, 2005**

The Committee on Government Affairs was called to order at 7:49 a.m., on Monday, April 11, 2005. Chairman David Parks presided in Room 3143 of the Legislative Building, Carson City, Nevada, and, via simultaneous videoconference, in Room 4412 of the Grant Sawyer State Office Building, Las Vegas, Nevada. Exhibit A is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Mr. David Parks, Chairman
Ms. Peggy Pierce, Vice Chairwoman
Mr. Kelvin Atkinson
Mr. Chad Christensen
Mr. Jerry D. Claborn
Mr. Pete Goicoechea
Mr. Tom Grady
Mr. Joe Hardy
Mrs. Marilyn Kirkpatrick
Mr. Bob McCleary
Mr. Harvey J. Munford
Ms. Bonnie Parnell
Mr. Scott Sibley

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblywoman Chris Giunchigliani, Assembly District No. 9, Clark County

STAFF MEMBERS PRESENT:

Eileen O'Grady, Committee Counsel

ASSEMBLYMAN HARDY MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 508 WITH THE FELONY BECOMING A
MISDEMEANOR

ASSEMBLYMAN SIBLEY SECONDED THE MOTION.

Assemblywoman Parnell:

I would be a little more comfortable with "gross misdemeanor" if it's more stringent.

Eileen O'Grady:

The gross misdemeanor has a possible term of imprisonment for up to a year, versus six months for the misdemeanor. It has a higher fine as well, so it is different.

Chairman Parks:

Would you like to amend your motion?

Assemblyman Hardy:

I can go with the Committee's suggestion on "gross misdemeanor."

THE MOTION CARRIED, WITH ASSEMBLYWOMAN KIRKPATRICK
AND ASSEMBLYMAN McCLEARY VOTING NO.

Chairman Parks:

That takes us to A. J. R. 16.

**Assembly Joint Resolution 16: Proposes to amend Nevada Constitution to
provide requirements for enactment of property and sales tax exemptions.
(BDR C-422)**

Susan Scholley, Committee Policy Analyst, Legislative Counsel Bureau:

Assembly Joint Resolution 16 was sponsored by the Assembly Committee on Elections, Procedure, Ethics, and Constitutional Amendments, on behalf of the Legislative Committee for Local Government, Taxes and Finance. It was heard in this Committee on April 8. The resolution proposes a constitutional amendment that would set criteria for legislative exemptions from the property tax or sales tax as follows:

- The sales tax would have to have a social or economic purpose, and the benefits would have to exceed any adverse impacts.

- The exemptions would not be able to adversely impair the ability of the state or local governments to repay a bonded indebtedness.

[Susan Scholley, continued.] The Nevada Taxpayers Association testified in support. There was no other testimony. No amendments were proposed, and there's no fiscal impact at the state or local government level.

Assemblyman McCleary:

I think I like where this bill is going, but how will we enforce something like this? I can see just about every industry in Nevada being able to put up a good argument for exempting itself from sales tax, which is why I was the only person voting in opposition to the bill earlier today. I'm worried about a flood of exemptions coming in if we start doing this. I think this is trying to address my concern, but it won't stop me from proposing a bill next session. Is LCB [Legislative Counsel Bureau] going to set the criteria and say, "Bob, I'm sorry. I can't accept this BDR because it goes contrary to this amendment?"

Susan Scholley:

If the constitutional amendment were enacted, then the Legislature would have to make these two findings before it could adopt any exemptions from the property tax or sales tax. If someone felt that the Legislature had not made valid findings and had not put evidence on the record to support those findings, then the recourse would be to file suit and challenge the exemption. It would be effectively challenged through a court of law by persons who felt that the Legislature had taken an unconstitutional action, which, as you know, has occurred in the past. That would be the method of enforcement. It would not be LCB.

Assemblyman McCleary:

It would not be LCB. So, LCB, before accepting a BDR that's going to change a tax status for somebody, would have to write a written opinion why it thinks that would be in its constitutional parameters. Is that correct?

Eileen O'Grady:

The Legislature, in considering a bill that proposes an exemption, would have to make findings. It wouldn't be the LCB. It would probably be part of the legislation enacting a particular exemption.

Assemblyman McCleary:

Then drafting my own bill, I could put in the preamble why I think it should be exempt from the *Constitution*, correct? And the Legislature would just agree with me—and vote for this—or not agree. If they agree with me, could that be

challenged? Eventually, the courts are going to have to determine whether or not any future bill would qualify under these parameters.

Chairman Parks:

If you look at page 2 of A.J.R. 16, it basically says that we as legislators may enact an exemption. We have to give evidence that these two criteria are satisfied. That's basically what this will do. In other words, it will put in the *Constitution* that before we pass an exemption on any test, no matter who brings it, we have to be able to demonstrate that the requirements for claiming the exemption are similar and practical for similar classes of taxpayers and provide the specific data for when the specific exemption would cease to be effective. In other words, we're putting a sunset on these exemptions. We have some things that have enjoyed exemptions in years past, and they just continue whether the benefit of that exemption can no longer be demonstrated.

Assemblywoman Parnell:

I'm trying to identify why this is important. If I look and see that this is on behalf of the local government taxes and finance, it's my guess that the problem is now, especially with the property tax, that local governments are having their tax base eroded by one thing or another, and this is an attempt to stop that erosion.

Susan Scholley:

At the hearing, Carole Vilardo testified that the intent of the bill was that they felt there needed to be some checks on the exemptions that were granted. If the limits on exemption were simply placed on a bill in a statute, the Legislature could ignore the statute. So, the Committee decided to go with a constitutional amendment, because if the standards were in the *Constitution*, the Legislature would not be able to avoid them. Those are more or less her words, not mine.

Chairman Parks:

Having been on the S.B. 557 Committee for a number of years, it was one of the issues we looked at. As I mentioned to Mr. McCleary, we want to make sure that if an exemption continues to be offered and enjoyed by particular individuals, there is some other benefit to the state. I think the best example we had earlier this morning concerned farm machinery. We look at all the other states that surround us and find we are putting an undue burden on our own farm equipment machinery dealers. We're actually forcing our farmers and ranchers to buy their equipment out of state, which in turn, has a severe effect on our economy.

ASSEMBLYWOMAN KIRKPATRICK MOVED TO DO PASS
ASSEMBLY JOINT RESOLUTION 16.

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chairman Parks:

We are adjourned [at 12:06 p.m.].

RESPECTFULLY SUBMITTED:

Paul Partida
Transcribing Attaché

APPROVED BY:

Assemblyman David Parks, Chairman

DATE: _____

**MINUTES OF THE
SENATE COMMITTEE ON TAXATION**

**Seventy-third Session
May 5, 2005**

The Senate Committee on Taxation was called to order by Chair Mike McGinness at 2:11 p.m. on Thursday, May 5, 2005, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 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 at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Mike McGinness, Chair
Senator Randolph J. Townsend
Senator Dean A. Rhoads
Senator Bob Coffin
Senator Terry Care
Senator John Lee

COMMITTEE MEMBERS ABSENT:

Senator Sandra J. Tiffany, Vice Chair (Excused)

GUEST LEGISLATORS PRESENT:

Assemblyman David R. Parks (Clark County Assembly District No. 41)

STAFF MEMBERS PRESENT:

Chris Janzen, Deputy Fiscal Analyst
Ardyss Johns, Committee Secretary
Tanya Morrison, Committee Secretary

OTHERS PRESENT:

Dino DiCianno, Deputy Executive Director, Department of Taxation
Marvin A. Leavitt, Urban Consortium

Senate Committee on Taxation
May 5, 2005
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I am here today to request DMV's expenses incurred, as reflected in our fiscal note (Exhibit C) in implementing the required changes, be included in our budget through an appropriation should A.B. 547 pass. Also, due to the number of programming hours and the DMV having to enter into contracts with each city, DMV is requesting the effective date be moved to July 1, 2006, should this bill pass.

CHAIR MCGINNESS:

Did you submit this fiscal note to the Assembly Committee on Transportation?

MR. ROBERTS:

Yes, this is the same fiscal note the Assembly Committee received.

CHAIR MCGINNESS:

They decided not to refer this to the Assembly Committee on Ways and Means?

MR. ROBERTS:

Mr. Chair, it was passed out of their Committee.

ANDREW LIST (Nevada Association of Counties):

I am here to say we support this bill despite the fact it is slightly detrimental to counties and does, over time, shift some of the revenues collected through fuel tax from the counties to the cities. I support this bill for a few different reasons. The first reason is, as Mr. Leavitt stated, the inherent fairness of the bill. We should not be using portions of the roads not maintained by the counties in that part of the formula. That is simply not fair.

Secondly, we support the work done by the Interim Committee for Local Government Taxes and Finance, commonly referred to as the Tax Distribution Committee. They put a lot of time, effort and deliberation into this bill and we support the work they have done. For the record, we support this bill.

CHAIR MCGINNESS:

We will close the hearing on A.B. 547 and open the hearing on Assembly Joint Resolution (A.J.R.) 16.

ASSEMBLY JOINT RESOLUTION 16: Proposes to amend Nevada Constitution to provide requirements for enactment of property and sales tax exemptions. (BDR C-422)

Senate Committee on Taxation
May 5, 2005
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ASSEMBLYMAN PARKS:

I am here to speak in favor of A.J.R. 16. Briefly, this is the result of some of the changes that have taken place and trying to be consistent with the Streamlined Sales Tax Initiative. I request you support this measure.

MICHAEL R. ALASTUEY (Clark County):

I am also privileged to have served as a member of the technical working group advising the Legislative Committee for Local Government Taxes and Finance. You may recall in previous Sessions you have talked about tax exemptions at great and painful length, especially last session when revenues were an issue. This particular measure has consensus support and it is to be hoped, the next perfected generation of a previous resolution. That resolution passed in one session, but did not pass the second session because there were some language problems. We think the language problems over the previous resolution have been fixed.

The difference in the language from this resolution and the previous one was the inclusion of the word "or" in some of the requirements of the resolution. It was not particularly clear whether any of those requirements singly would qualify or support an exemption. Some effort was undertaken to clarify the language, and this resolution does accomplish that.

In favor of passage, I would like to point out this is prospectively effective and does not repeal any existing exemption. It does not adversely affect any proposals currently in the Legislature from going forward as far as placement of questions on the ballot for sales-tax exemptions. This can be considered separate, apart and not an impediment to any other proposals you have before you.

The bill, constitutionally, must be put to a test by the Legislature and a finding be made to justify an exemption. It also requires, whenever an exemption is established, a sunset date be established at that time.

SENATOR CARE:

If this passes, does it impede the placement of questions before the voters and the future of ballot questions as to exemptions?

Senate Committee on Taxation
May 5, 2005
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MR. ALASTUEY:

My understanding is this would not impede the placement of questions before the voters.

CHAIR MCGINNESS:

Is this going to definitively take care of all our exemption problems?

MR. ALASTUEY:

This issue has been discussed and all the questions have been answered. Some of the members of the advisory committee and I spent a great deal of time, with the able guidance of Carole Vilardo, to get to this point.

CHAIR MCGINNESS:

We will close the hearing on A.J.R. 16. You have a list of bills in your folders. Some of these bills we heard last week. We will open with A.B. 67.

ASSEMBLY BILL 67: Authorizes Department of Taxation to suspend or revoke business licenses. (BDR 32-392)

SENATOR TOWNSEND MOVED TO DO PASS A.B. 67.

SENATOR CARE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TIFFANY WAS ABSENT FOR THE VOTE.)

* * * * *

CHAIR MCGINNESS:

We will close the hearing on A.B. 67 and open the hearing on A.B. 68.

ASSEMBLY BILL 68: Authorizes Department of Taxation to deny licenses or permits to persons liable to Department for payment of money. (BDR 32-390)

SENATOR RHOADS MOVED TO DO PASS A.B. 68.

SENATOR TOWNSEND SECONDED THE MOTION.

Senate Committee on Taxation
May 5, 2005
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SENATOR TOWNSEND:

I agree with Senator Coffin. I would like to hear all of the Clark County members' thoughts on this bill.

CHAIR MCGINNESS:

We will close the hearing on A.B. 418 and process A.B. 503.

SENATOR TOWNSEND MOVED TO DO PASS A.B. 503.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TIFFANY WAS ABSENT FOR THE VOTE.)

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CHAIR MCGINNESS:

We will now reopen the hearing on A.B. 547. I want to address Mr. Roberts' question regarding the fiscal note on this bill so we will hold it until we get that information. We will close the hearing on A.B. 547 and reopen the hearing on A.J.R. 16. We heard testimony from Assemblyman Parks and Mr. Alastuey on the exemptions.

SENATOR RHOADS MOVED TO DO PASS A.J.R. 16.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TIFFANY WAS ABSENT FOR THE VOTE.)

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FLOOR ACTIONS

AMENDMENTS ON SECOND READING FLOOR VOTES AND STATEMENTS OTHER ACTIONS

NOTE: THESE FLOOR ACTIONS ARE TAKEN FROM THE *DAILY JOURNALS* ([HTTP://WWW.LEG.STATE.NV.US/SESSION/73RD2005/JOURNAL/](http://www.leg.state.nv.us/session/73rd2005/journal/)), WHICH ARE NOT THE OFFICIAL FINALIZED VERSIONS OF THE *JOURNALS*. CONSULT THE PRINT VERSION FOR THE OFFICIAL RECORD.

NEVADA LEGISLATURE

Seventy-Third Session, 2005

ASSEMBLY DAILY JOURNAL

THE SEVENTY-SECOND DAY

CARSON CITY (Tuesday), April 19, 2005

Assembly called to order at 11:18 a.m.

Mr. Speaker presiding.

Roll called.

All present.

Prayer by the Chaplain, Minister Bruce Henderson.

Lord, we woke up this morning to a blanket of snow. We ask the question Your Psalmist asked nearly twenty times. "How long, O Lord?" How long until we get a real spring? So, I pray today for spring to come inside—inside these walls and inside our hearts. Please give us renewed enthusiasm, compassionate spirits, and glowing smiles. You make life better. May we also. I pray gratefully in Your name.

AMEN.

Pledge of Allegiance to the Flag.

Assemblywoman Buckley moved that further reading of the Journal be dispensed with, and the Speaker and Chief Clerk be authorized to make the necessary corrections and additions.

Motion carried.

REPORTS OF COMMITTEES

Mr. Speaker:

Your Committee on Commerce and Labor, to which was referred Assembly Bill No. 343, has had the same under consideration, and begs leave to report the same back with the recommendation: Amend, and do pass as amended.

Also, your Committee on Commerce and Labor, to which were referred Assembly Bills Nos. 363, 427 and 555, has had the same under consideration, and begs leave to report the same back with the recommendation: Amend, and do pass as amended.

Also, your Committee on Commerce and Labor, to which was referred Assembly Bill No. 437, has had the same under consideration, and begs leave to report the same back with the recommendation: Amend, and do pass as amended.

BARBARA BUCKLEY, *Chairman*

Roll call on Assembly Joint Resolution No. 6:

YEAS—42.

NAYS—None.

Assembly Joint Resolution No. 6 having received a constitutional majority, Madam Speaker pro Tempore declared it passed.

Resolution ordered transmitted to the Senate.

Assembly Joint Resolution No. 9.

Resolution read third time.

Remarks by Assemblyman Perkins.

Roll call on Assembly Joint Resolution No. 9:

YEAS—41.

NAYS—Angle.

Assembly Joint Resolution No. 9 having received a constitutional majority, Madam Speaker pro Tempore declared it passed.

Resolution ordered transmitted to the Senate.

Assembly Joint Resolution No. 10.

Resolution read third time.

Remarks by Assemblyman Mortenson.

Roll call on Assembly Joint Resolution No. 10:

YEAS—39.

NAYS—Carpenter, Marvel, Sherer—3.

Assembly Joint Resolution No. 10 having received a constitutional majority, Madam Speaker pro Tempore declared it passed.

Resolution ordered transmitted to the Senate.

Assembly Joint Resolution No. 12.

Resolution read third time.

Remarks by Assemblyman Goicoechea.

Roll call on Assembly Joint Resolution No. 12:

YEAS—42.

NAYS—None.

Assembly Joint Resolution No. 12 having received a constitutional majority, Madam Speaker pro Tempore declared it passed.

Resolution ordered transmitted to the Senate.

Assembly Joint Resolution No. 14.

Resolution read third time.

Remarks by Assemblywoman Leslie.

Roll call on Assembly Joint Resolution No. 14:

YEAS—42.

NAYS—None.

Assembly Joint Resolution No. 14 having received a constitutional majority, Madam Speaker pro Tempore declared it passed.

Resolution ordered transmitted to the Senate.

Assembly Joint Resolution No. 16.

Resolution read third time.

Remarks by Assemblyman Parks.

Roll call on Assembly Joint Resolution No. 16:

YEAS—42.

NAYS—None.

Assembly Joint Resolution No. 16 having received a constitutional majority, Madam Speaker pro Tempore declared it passed.

Resolution ordered transmitted to the Senate.

Senate Bill No. 73.

Bill read third time.

Remarks by Assemblyman Claborn.

Roll call on Senate Bill No. 73:

YEAS—42.

NAYS—None.

Senate Bill No. 73 having received a constitutional majority, Madam Speaker pro Tempore declared it passed.

Bill ordered transmitted to the Senate.

Senate Bill No. 132.

Bill read third time.

Remarks by Assemblyman Sherer.

Roll call on Senate Bill No. 132:

YEAS—42.

NAYS—None.

Senate Bill No. 132 having received a constitutional majority, Madam Speaker pro Tempore declared it passed.

Bill ordered transmitted to the Senate.

REPORTS OF COMMITTEES

Mr. Speaker:

Your Committee on Elections, Procedures, Ethics, and Constitutional Amendments, to which was referred Assembly Joint Resolution No. 7, has had the same under consideration, and begs leave to report the same back with the recommendation: Amend, and do pass as amended.

HARRY MORTENSON, *Chairman*

Mr. Speaker:

Your Committee on Judiciary, to which was referred Assembly Bill No. 528, has had the same under consideration, and begs leave to report the same back with the recommendation: Amend, and do pass as amended.

BERNIE ANDERSON, *Chairman*

Mr. Speaker:

Your Concurrent Committee on Judiciary, to which was referred Assembly Bill No. 382, has had the same under consideration, and begs leave to report the same back with the recommendation: Amend, and do pass as amended.

BERNIE ANDERSON, *Chairman*

Madam Speaker pro Tempore announced if there were no objections, the Assembly would recess subject to the call of the Chair.

Assembly in recess at 1:15 p.m.

THE NINETY-FOURTH DAY

CARSON CITY (Wednesday), May 11, 2005

Senate called to order at 11:06 a.m.

President Hunt presiding.

Roll called.

All present.

Prayer by the Chaplain, Pastor Louie Locke.

Lord, as we gather in this place today, we give You thanks and praise because Your mercies are new every morning, and Your thoughts towards us are gracious, long suffering and abounding in goodness and truth.

In the midst of the pressures and demands of this Session, may we be reminded by King David's advice from Psalm 55, "Cast your burden on the Lord, and He will sustain you. He will never permit the righteous to be moved."

May the people of Nevada benefit because of the wisdom and understanding You give to our Legislators in their deliberations and decisions. Bless the men and women of this Senate, their families and staff.

In the Name of the Most High God,

AMEN.

Pledge of allegiance to the Flag.

Senator Raggio moved that further reading of the Journal be dispensed with, and the President and Secretary be authorized to make the necessary corrections and additions.

Motion carried.

REPORTS OF COMMITTEES

Madam President:

Your Committee on Commerce and Labor, to which was referred Assembly Bill No. 501, has had the same under consideration, and begs leave to report the same back with the recommendation: Amend, and do pass as amended.

RANDOLPH J. TOWNSEND, *Chair*

Madam President:

Your Committee on Legislative Operations and Elections, to which was referred Assembly Joint Resolution No. 10, has had the same under consideration, and begs leave to report the same back with the recommendation: Do pass.

BARBARA K. CEGAVSKE, *Chair*

Madam President:

Your Committee on Taxation, to which were referred Assembly Bills Nos. 392, 393, 547, has had the same under consideration, and begs leave to report the same back with the recommendation: Do pass.

MIKE MCGINNESS, *Chair*

Madam President:

Your Committee on Transportation and Homeland Security, to which was referred Assembly Joint Resolution No. 12, has had the same under consideration, and begs leave to report the same back with the recommendation: Do pass.

DENNIS NOLAN, *Chair*

Assembly Bill No. 555.

Bill read third time.

Roll call on Assembly Bill No. 555:

YEAS—21.

NAYS—None.

Assembly Bill No. 555 having received a constitutional majority, Mr. President pro Tempore declared it passed, as amended.

Bill ordered transmitted to the Assembly.

Assembly Joint Resolution No. 16.

Resolution read third time.

Roll call on Assembly Joint Resolution No. 16:

YEAS—21.

NAYS—None.

Assembly Joint Resolution No. 16 having received a constitutional majority, Mr. President pro Tempore declared it passed.

Resolution ordered transmitted to the Assembly.

UNFINISHED BUSINESS

SIGNING OF BILLS AND RESOLUTIONS

There being no objections, the President and Secretary signed Senate Bills Nos. 164, 257, 266, 278, 286; Senate Concurrent Resolutions Nos. 32, 33; Assembly Bills Nos. 203, 234; Assembly Concurrent Resolution No. 29.

GUESTS EXTENDED PRIVILEGE OF SENATE FLOOR

On request of Senator Amodei, the privilege of the floor of the Senate Chamber for this day was extended to the following members, and staff of the Virginia City Boys' Basketball Team (Muckers): Kevin Lynch, Chad Sprong, Zack Dotson, Mitch McDowell, Cory Dacha, Miles Lugo, Andy Wilson, Sam Turman, Nathan Adaki; staff: Hector Bucchianeri, Deny Dotson, Skyler Jones and principal/athletic director: Todd Hess.

On request of Senator Care, the privilege of the floor of the Senate Chamber for this day was extended to Shirley Leavitt, Cindy Foote, Michelle Leavitt and John Soo.

On request of Senator Hardy, the privilege of the floor of the Senate Chamber for this day was extended to former Assemblyman Tom Collins and the following students, chaperones and teachers from the Martha P. King Elementary School: Victoria Abercrombie, Kaleb Bailey, Bailey Barker, William Barth, Joseph Butler, Alissa Clarke, Jacob Cook, Austin Donnelly, Brock Esplin, Jason Faircloth, Daniel Henderson, Tanner Imlay, Blake Jacobs, Garrett Lockhart, Midori Molina, Tino Ragone, Willie Reyes Jr., Brianna Saenz, Gabriel Vasquez, Crystal Weaver, Pam Donahue, Amber Eccles, Corbett Fleming, Brandon Foster, Avalon Frantz, Andrew Gubler, Megan Gudmundsen, Brent Hickey, Jordan Honey, Martin Hudson, Alyssa Krause, Zachary Lee, Lauren Miller, Ronald Mortensen, Logan Moser,

BILLS AND AMENDMENTS

SEE LINKS ON BILL HISTORY PAGE
FOR COMPLETE TEXT

AJR 16 - 2007 of the 72nd Session

Introduced on: Feb 05, 2007

By Elections, Procedures, Ethics, and Constitutional Amendments

Proposes to amend Nevada Constitution to provide requirements for enactment of property and sales tax exemptions. (BDR C-422)

Fiscal Notes

Effect on Local Government: *No.*

Effect on State: *No.*

Most Recent History Action:

File No. 91. **On 2008 ballot.**

(See full list below)

Past Hearings

Assembly Elections, Procedures, Ethics, and Constitutional Amendments	Feb-13-2007	No Action
Assembly Elections, Procedures, Ethics, and Constitutional Amendments	Mar-08-2007	Do pass
Senate Taxation	May-03-2007	No Action
Senate Taxation	May-10-2007	Do pass

Votes

Assembly Final Passage Mar-13 Yea 41, Nay 0, Excused 1, Not Voting 0, Absent 0

Senate Final Passage May-25 Yea 21, Nay 0, Excused 0, Not Voting 0, Absent 0

Bill Text (PDF)

As Introduced

As Enrolled

Statutes of Nevada 2007

File No. 91

Bill History

Feb 05, 2007	Returned from Secretary of State. Read first time. Referred to Committee on Elections, Procedures, Ethics, and Constitutional Amendments. To printer. From printer. To committee.
Mar 09, 2007	From committee: Do pass.
Mar 12, 2007	Read second time.
Mar 13, 2007	Read third time. Passed. Title approved. (Yeas: 41, Nays: None, Excused: 1.) To Senate.
Mar 14, 2007	In Senate. Read first time. Referred to Committee on Taxation. To committee.
May 14, 2007	From committee: Do pass.
May 15, 2007	Read second time.
May 16, 2007	Taken from General File. Placed on General File for next legislative day.
May 17, 2007	Taken from General File. Placed on General File for next legislative day.
May 22, 2007	Taken from General File. Placed on General File for next legislative day.
May 23, 2007	Taken from General File. Placed on General File for next legislative day.

May 24, 2007	Taken from General File. Placed on General File for next legislative day.
May 25, 2007	Read third time. Passed. Title approved. (Yeas: 21, Nays: None.) To Assembly.
May 26, 2007	In Assembly. To enrollment.
May 28, 2007	Enrolled and delivered to Secretary of State. File No. 91.

On 2008 ballot.



PREPARED BY
RESEARCH DIVISION
LEGISLATIVE COUNSEL BUREAU
Nonpartisan Staff of the Nevada State Legislature

BILL SUMMARY
74th REGULAR SESSION
OF THE NEVADA STATE LEGISLATURE

ASSEMBLY JOINT RESOLUTION NO. 16
OF THE 73rd SESSION
(Enrolled)

Topic

Assembly Joint Resolution No. 16 proposes to amend the *Constitution of the State of Nevada* to provide requirements for property and sales tax exemptions.

Summary

This resolution proposes to amend the *Constitution of the State of Nevada* to provide requirements for the enactment of property and sales tax exemptions. The Legislature shall not enact an exemption from any ad valorem tax on property or excise tax on the sale, storage, use, or consumption of tangible personal property sold at retail unless the exemption:

- Will achieve a bona fide social or economic purpose and the benefits are expected to exceed any adverse effects on services to the public; and
- Will not impair the ability of the State or a local government to pay all interest and principal on any outstanding bonds or any other obligations when due.

If the Legislature enacts an exemption, the Legislature shall:

- Ensure that the requirements for claiming the exemption are similar for similar classes of taxpayers; and
- Provide a specific date on which the exemption will cease to be effective.

Effective Date

This measure was approved in identical form during the 2005 and 2007 Sessions of the Legislature. The proposal will be submitted to the voters for final approval or disapproval at the 2008 General Election.

LEGISLATIVE HEARINGS

MINUTES AND EXHIBITS

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON ELECTIONS, PROCEDURES, ETHICS, AND
CONSTITUTIONAL AMENDMENTS**

**Seventy-Fourth Session
February 13, 2007**

The Committee on Elections, Procedures, Ethics, and Constitutional Amendments was called to order by Chair Harry Mortenson at 3:48 p.m., on Tuesday, February 13, 2007, in Room 3142 of the Legislative Building, 401 South Carson Street, Carson City, 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/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Harry Mortenson, Chair
Assemblywoman Ellen Koivisto, Vice Chair
Assemblyman Chad Christensen
Assemblyman Ty Cobb
Assemblyman Marcus Conklin
Assemblywoman Heidi S. Gansert
Assemblyman Ed Goedhart
Assemblyman Ruben Kihuen
Assemblyman Harvey J. Munford
Assemblyman James Ohrenschall
Assemblyman Tick Segerblom
Assemblyman James Settelmeyer

COMMITTEE MEMBERS ABSENT:

Assemblywoman Marilyn Kirkpatrick (Excused)

STAFF MEMBERS PRESENT:

Patrick Guinan, Committee Policy Analyst
Sheila Sease, Committee Manager

Minutes ID: 222



simple—one change per bill. It is easier to understand, and you have a better chance of getting it passed.

Assemblyman Ohrenschall:

Has the U.S. Supreme Court ever ruled that someone who is declared mentally incompetent cannot be barred from voting? Is there case law on that issue?

Joseph Turco:

Not to my knowledge. Some of the facts in the case in the Eighth District Circuit Court seem similar to this, so that matter may go to the Supreme Court.

Chair Mortenson:

Any further questions from the Committee or testimony from the audience? [There was no response.] We will close the hearing on A.J.R. 10 of the 73rd Session and open the hearing on A.J.R. 16 of the 73rd Session.

Assembly Joint Resolution 16 of the 73rd Session: Proposes to amend Nevada Constitution to provide requirements for enactment of property and sales tax exemptions. (BDR C-422)

Patrick Guinan, Committee Policy Analyst:

Assembly Joint Resolution 16 of the 73rd Session also passed the 2005 Legislative Session. The Resolution proposes to amend the *Constitution of the State of Nevada* to provide requirements for the enactment of property and sales tax exemptions.

Chair Mortenson:

Again, this is a returning bill. It passed both Houses during the previous session. We would prefer not to make any amendments to this bill because we would have to start over again. This is a good bill; we want to get it passed.

Carole Vilardo, President, Nevada Taxpayers Association:

This bill is the result of the interim Legislative Committee for Local Government Taxes and Finance. On behalf of the Association, we absolutely support the bill. We originally considered a statutory change; however, Legal advised us that the Legislature can change whatever is demanded of it, and that if we wanted something very effective, it would have to be placed in the *Constitution*.

We have a longstanding policy statement that states exemptions may be valuable at times, but at no time should an exemption be forever. Circumstances under which the exemption was granted can change, so there

should absolutely be a sunset, a time certain. At that time, you reevaluate to see if the exemption is still needed, or if changes to some of the provisions governing the exemption need to be made. Those of you serving on the Taxation Committee know we have always testified to put a sunset date on bills dealing with exemptions, because we do not believe anything is static or that anything should last forever.

Assemblyman Segerblom:

Could you tell us the history behind this?

Carole Vilardo:

We went through a period—1995, 1997, 1999—where there were a number of bills requesting many exemptions. Every time you put an exemption on a tax, particularly exemptions on the local portion of the sales tax, you erode the base. If you add enough exemptions, you wind up eroding the base of that revenue source. Obviously, the revenue stream has been created to provide a service. For example, you may give a sales tax exemption to a new company on the goods they need to manufacture their product if they can qualify with the Department of Taxation and the Commission on Economic Development. When those exemptions are examined, those agencies, by statute, must show that the company being offered the exemption will be responsible for bringing in jobs. The company must pay the average wage and provide medical insurance, and meet other conditions. So, even though you may be giving some sales taxes away, you are employing more people who are then able to purchase other goods and services or buy a house, so there is a trade off.

We once had a request to exempt items purchased by motorcycle clubs for events they were holding. We have had a number of requests like that, but what does that benefit? If you start adding too many exemptions, you will erode the tax base, then, to provide revenue for the service you need, you are looking for an increased tax rate somewhere else, or to modify another tax to generate more revenue. That was the concern with having open-ended exemptions without any criteria for evaluating them, which is what this bill does.

Assemblyman Segerblom:

Were there exemptions passed and signed that did not meet this criteria?

Carole Vilardo:

In my opinion, yes.

Assemblyman Segerblom:

Could those exemptions have been removed at the next legislative session?

Carole Vilardo:

Sometimes other issues come into play, or contracts would be generated based on the exemption, which then makes it difficult to repeal. Sometimes it is the pure politics of who asked for the exemption, and how the exemption was granted.

Assemblyman Segerblom:

Could you identify one?

Carole Vilardo:

I have a complete list of all property tax and sales tax exemptions and I will make them available to you.

Chair Mortenson:

Please provide that to Mr. Segerblom, and it would be nice to have that in the archives of the Committee too, so please send us a copy.

Carole Vilardo:

Yes.

Michael Alastuey, Member, Committee on Local Government Finance; Technical Advisor, Legislative Committee for Local Government Taxes and Finance:

Ms. Vilardo's testimony has absolutely characterized the history of some of what we have been through to get to this point. This is a measure going through its second legislative iteration and, if passed, would appear on the 2008 General Election ballot.

The Legislature has long wrestled with exemption issues, in some sessions more than others. The issue is so complex, that it became clear in one Senate Committee hearing, that the exemption issue was one that could not be untied in short order. All manner of religious and fraternal organizations, business interests, and agricultural product interests, have requested exemptions at one time or another. This measure takes a step back and provides, on a prospective basis, a framework for legislative deliberation in terms of considering exemptions.

It is a constitutional measure, and we believe it is appropriate to the purpose without specifically eliminating any current exemption. All the issues of the

past could be reexamined at any time individually by the Legislature. This does not remove anyone's current exemptions.

Section 1 would require a Legislative finding. Right now, the Legislature is not required to make any particular finding or to undergo any particular deliberative process other than the process that sometimes becomes abbreviated late in the session of considering exemptions. There needs to be a finding that a social or economic purpose will be served. In the ensuing subparagraph, the exemption cannot adversely impair bond payments. Also, the Legislature should ensure that application of the exemption is thought to be fair for similar classes of taxpayers. Finally, each exemption passed from here forward would require a sunset date.

Assemblyman Ohrenschall:

When you talk about ad valorem taxes on property and excise taxes on the sale, storage, or consumption of tangible personal property, does that cover all property taxes and all sales and use taxes, or is it more limited in scope?

Michael Alastuey:

It would cover all property taxes, although some of the exemptions are, in effect, abatements or partial abatements of certain property taxes for certain business purposes.

The sales tax situation is particularly awkward because the sales tax is bifurcated. A portion of the sales tax, that being the original 2 percent that was implemented in the 1950s, was actually put on the ballot and retained, or ratified, by the people in the 1956 General Election. Other sales tax components, depending upon where you live, were implemented statutorily without a vote of the people.

The legal opinions all say, if you want to exempt sales from the 2 percent portion, it must go on the ballot, because what was publicly approved must now be publicly revised. Consider a situation like farm equipment. You can statutorily remove the application of sales tax on farm equipment, but that would only affect the portion other than the 2 percent; however, if you want to make farm equipment exempt from the two percent, it must be placed on the ballot. You can wind up with discontinuities in taxation where part of the sales tax may be exempted, while other parts may not be, depending upon the timing of elections.

Assemblyman Ohrenschall:

In the wording, "the Legislature finds," would that entail studies by committees, or more sophisticated research? If this is adopted into the *Constitution* and the Legislature wanted to grant an exemption to a certain group, would it simply be a deliberation of this Body or would we need academic studies? What exactly do you think "finding" would entail?

Michael Alastuey:

As I read that language, the "finding" is that of the Legislature. The Legislature would have to meet its own standards in making such a finding. As an individual citizen, I would contemplate that this would give pause to the legislative process in making a specific inquiry, and, in effect, announcing a finding and making such finding a matter of record in some form.

Assemblyman Ohrenschall:

Does paragraph (b) on page 2 possibly pose an insurmountable hill for any exemption that a future Legislature might want to grant? Would not any reduction in revenue "impair adversely?"

Michael Alastuey:

No, not necessarily. As an example, if an exemption is shown, or "found" by the Legislature to be sufficiently stimulating to a certain kind of business, and the location of that business in Nevada as opposed to another place may be reasonably found to eventually generate a larger tax base, then, that economic stimulus may, in fact, make the taxing jurisdictions whole, even though the taxing jurisdiction excused, abated, or exempted taxes. There may actually be a net benefit. That would have to be evaluated.

Often, the argument proponents for exemptions bring forward is that "this is a very minor exemption; just a little bite." But if there is no beneficial purpose found by the Legislature in that "little bite," the Legislature would, as this would contemplate, probably hesitate to approve such an exemption. There are circumstances where you might find that there is sufficient reduction of revenue that is not recouped by any positive economic effects of the proposal; or you may find that it is a break-even situation, in which case there would be no impairment to the bonds.

Assemblyman Conklin:

Last session, this Body dealt with the issue of property tax. In doing so we were creative and did a lot of things we thought were in the best interests of the public. When you do such things, you create exemptions. If A.J.R. 16 of the 73rd Session had been enacted, how would that have impacted an issue as

complex as that? This appears to be sound fiscal policy we are implementing here, but from a practical standpoint, is there an impact on some of the broader issues like property tax?

Michael Alastuey:

I believe this stands independent of any of the actions you took last session, or may take in the future on property taxes. This specifically addresses the exemption issue. The policies you implemented last session only addressed broad categories—owner-occupied residences, commercial property, rental property in certain cases, and provided for different methods of restraining or capping the fluctuation in tax bills. I see this bill as independent from those policies.

Carole Vilardo:

In referring to the property tax cap from last session, you did make a "finding" and the finding actually had basis in discussion about what the impact would be. There was discussion about how bonds would be addressed. That is a known quantity, and there would be no impact, so, last session, you actually did what is in A.J.R. 16 of the 73rd Session. That application not only applied to individual business, but also for a class of people.

Another example from last session, although there was no finding, was the Lied buildings, the green buildings, and an exemption was provided for them. It was for a class of building, not an individual. In the testimony, absent a specific declaration, it was found that trying to use renewable energy sources, and trying to use less energy, were major public policies that would save money in other areas down the road.

Assemblyman Ohrenschall:

If this had been part of the *Constitution*, would the Lied standards still have been able to pass, or would they not have been able to meet the standard in paragraph (b) "will not impair adversely"? Would the bonds and obligations have been paid off in time?

Carole Vilardo:

You are the Legislature, so it is your determination. In my personal opinion, that was a good first step. That did have a sunset date. The sunset date on that bill passed by the 2005 Legislature was December 31, 2005, I believe. The reason there was a sunset is because we have a streamlined sales tax and are not allowed to bifurcate the rates. Because of the local sales tax component, it had to sunset because we expected Congress to act in January, 2006. That has now been pushed to 2008. Yes, I do think the finding would have been that it

served a public purpose. I also think you would have found it would not have impaired any bond contracts.

Assemblyman Ohrenschall:

Let us say the Legislature wants to give an exemption for energy efficiency; however, it might impair the ability of the State to meet some obligations in the short run, but in the long run it would not. Do you think that would still qualify under this constitutional provision?

Carole Vilardo:

You would much more likely be able to determine if there was going to be an impairment in the short run because it is always much more difficult to project what the situation is going to be in 10 or 12 years. If you are talking about the short term being 2 years, I know what my bond payments have to be, and I have a very good idea how many people might apply for the exemption, also, if it has statewide application or would just impact one county. I would have a much better chance of being absolutely able to determine short term impact. If I saw a short term impact, you, as Legislators, would want to know that you were going to be able to get another source of revenue because you do not impair bond contracts. You could also defer or delay that exemption, or not pass the bill, and have the proponents of the bill come back two years from now when you could take a better look at it.

Yes, I think there are certain circumstances in which you might not grant the exemption and that is okay, from my perspective. You do not want exemptions that are eroding your revenue base so much that you come back the next session and request an increase in that tax because you gave too much away this time.

Assemblyman Segerblom:

Is the gaming tax considered to be one of these taxes?

Carole Vilardo:

I think it is specific to the property and sales taxes.

Michael Alastuey:

The summary of A.J.R. 16 of the 73rd Session reads, proposing "to provide requirements for enactment of property and sales tax exemptions" only, so gaming is not included.

Assemblyman Segerblom:

Would this cover the sales tax exemption on the purchase of food?

Michael Alastuey:

Yes.

Assemblyman Segerblom:

I know the exemption is already there, but if, in the future you tried to pass that kind of exemption, this law could prohibit that.

Carole Vilardo:

Sometime around 1980, the voters approved the sales tax exemption on food. If you want to change that, you must go back to them.

Dino DiCianno, Executive Director, Nevada Department of Taxation:

There is already a constitutional provision in Article 10, Section 3[A], with respect to food. To answer whether this would have an impact on the current food exemptions in NRS (*Nevada Revised Statutes*) 372, yes it could, but there is also an overriding provision within the *Constitution* as far as food is concerned.

Assemblyman Segerblom:

In the future, if someone tried to come up with a similar exemption, would this bill address that?

Dino DiCianno:

This does impact property tax exemptions and existing sales and use tax exemptions that would come before this Body on a prospective basis for approval. As administrators, we do not take a position one way or the other with respect to a particular bill; however, the language that is contained in A.J.R. 16 of the 73rd Session would provide us with better insight as to how we would administer those exemptions in the future; and this Body would be required to do some type of means testing.

As Chairman Mortenson, Mr. Alastuey, and Ms. Vilardo have indicated, the discussions on any new exemption that would come before you would provide that analysis, and you would make that finding prior to its being adopted.

Assemblyman Segerblom:

This would not apply to exemptions that are approved by voters, is that right?

Dino DiCianno:

As indicated earlier, because the sales tax is bifurcated, the 2 percent portion is subject to voter approval. The concern here is bifurcation on the local portion. This Body has the authority to change that part of it.

Assemblyman Segerblom:

Did we not just vote on exempting prescription drugs?

Carole Vilardo:

That was in the 2004 election. Six exemptions were proposed in Question 8 and one of them was prescription drugs. The reason that Question went to the voters was the Streamlined Sales Tax, because those six exemptions only applied to the local portion of the sales tax, not the 2 percent.

Assemblyman Segerblom:

This would not cover that because that was a voter-approved exemption.

Carole Vilardo:

It might, because you cannot put anything to the voters that you, as a Legislative Body, do not agree to. Let us say you wanted to try again for a prescription drug exemption that previously failed, and this time, because you have better language, a better finding, and have narrowed the exemption, you would write the bill, and both Houses would pass that bill to put it on the ballot. You still have an impact as to whether you agree or not to put an issue on the ballot for the voters to see.

Assemblyman Segerblom:

Does any other state have a similar constitutional amendment?

Carole Vilardo:

There is no state that I am aware of that has the same type of constitutional restriction we have. Part of the reason is that the majority of states do not have initiative and referendum processes. Only 24 states allow initiatives and referendums. When our *Constitution* was amended to allow the referendum process, it said, "What the voters approve; only the voters can change."

In the 1955 Session, the Legislature approved the 2 percent sales tax. When that Body left the 1955 Session, many Legislators were threatened with never being returned to office because at that time, enactment of that portion of sales tax was to be used primarily to fund education. There was a real split between the people who did not like the new tax, and the recipients of the revenue from the tax who did not like the idea of it going away. They formed a committee and went with a statewide referendum that stated approval of the statute that was enacted by the 1955 Legislature. That particular section has never gone back to the voters for updating. The referendum initiative was successful and, because it was successful, we are in this situation.

Dino DiCianno:

We are a part of the Streamlined Sales and Use Tax Agreement. One of the complications the State of Nevada has with respect to the current sales tax laws is that the 2 percent portion is subject to referendum. The vast majority of other states do not have that problem when it comes to the Streamlined Sales and Use Tax Agreement. Their legislative bodies have the ability to amend the state portion along with the local portion.

What you will see during this session is a bill draft the Department of Taxation is bringing forward to clean up specific language in NRS 372 that is specific to your question, is separate from this, and deals with that kind of bifurcation. In that bill draft, we are requesting that the 2 percent portion go back to a vote of the people, and allow this Body to amend that portion without ever having to go back to a vote of the people. If this Body approves that, it goes to a vote of the public in 2008. If it gets approved by the public in 2008, from that day forward this Body would have the ability to amend Chapter 372, which is the sales tax, for both the State portion of the rate, and the local portion of the rate. That will be coming to you shortly.

Assemblyman Segerblom:

Because our sales tax is unique, do we need a provision like this as a constitutional amendment?

Dino DiCianno:

The Streamlined Agreement is a separate issue from this Joint Resolution. This Joint Resolution requires this Body to make a determination from a prospective basis about whether there is a beneficial need to have an exemption.

Assemblyman Segerblom:

Is there any other state that has this kind of constitutional amendment?

Dino DiCianno:

I cannot answer that.

Chair Mortenson:

We will close the hearing on A.J.R. 16 of the 73rd Session.

I have received many questions about this Committee, so I want to provide a little bit of history about the Constitutional Amendments portion of this Committee. In 1999, the Constitutional Amendments Standing Committee was established to hear proposed amendments to the *Nevada Constitution*. That Committee had very few bills and met at the call of the Chair, generally on

Friday afternoons. The next session I chaired the Committee, but we had more bills, so it was really rough to meet on Friday afternoons. The following session we had even more bills, and it was decided we needed to change the situation, so the Legislative Counsel Bureau married these two committees.

The Constitutional Amendments Committee has exactly the same Committee members as Elections, Procedures, and Ethics, and exactly the same time slots. Last session we operated that way and had seven bills. This session we potentially have 17 bills, so the business of this Committee is escalating. We do not hear a lot of bills, but we are an important Committee simply because we are working on the *Constitution*, which is a lot more stable and lasts longer than legislation.

If there are no questions and no further business, we will adjourn [at 4:51 p.m.]

RESPECTFULLY SUBMITTED:

Terry Horgan
Committee Secretary

APPROVED BY:

Assemblyman Harry Mortenson, Chair

DATE: _____

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON ELECTIONS, PROCEDURES, ETHICS, AND
CONSTITUTIONAL AMENDMENTS**

**Seventy-Fourth Session
March 8, 2007**

The Committee on Elections, Procedures, Ethics, and Constitutional Amendments was called to order by Chair Harry Mortenson at 3:53 p.m., on Thursday, March 8, 2007, in Room 3142 of the Legislative Building, 401 South Carson Street, Carson City, 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/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Harry Mortenson, Chair
Assemblywoman Ellen Koivisto, Chair
Assemblyman Ty Cobb
Assemblyman Marcus Conklin
Assemblywoman Heidi S. Gansert
Assemblyman Ed Goedhart
Assemblyman Ruben Kihuen
Assemblywoman Marilyn Kirkpatrick
Assemblyman Harvey J. Munford
Assemblyman James Ohrenschall
Assemblyman Tick Segerblom
Assemblyman James Settelmeyer

COMMITTEE MEMBERS ABSENT:

Assemblyman Chad Christensen (excused)

Minutes ID: 485



Assembly Joint Resolution 16 of the 73rd Session: Proposes to amend Nevada Constitution to provide requirements for enactment of property and sales tax exemptions. (BDR C-422)

Patrick Guinan, Committee Policy Analyst:

We heard A.J.R. 16 of the 73rd Session on February 13, 2005, and you will note there is no effect on local government or on the State. Assembly Joint Resolution 16 of the 73rd Session also passed the 2005 Legislative Session in the form you see before you. It must pass the 2007 Session in the identical form in order for it to be placed before the voters at the 2008 General Election.

This resolution proposes to amend the *Nevada Constitution* to provide requirements for the enactment of property and sales tax exemptions. The measure prohibits the Legislature from enacting an exemption from any ad valorem tax on property or excise tax on the sale, storage, use, or consumption of tangible personal property sold at retail unless the exemption: (1) will achieve a bona fide social or economic purpose, and the benefits are expected to exceed any adverse effects on services to the public; and, (2) will not impair the ability of the State or a local government to pay all interest and principal on any outstanding bonds or any other obligations when due.

If the Legislature enacts an exemption, the Legislature must: (1) ensure that the requirements for claiming the exemption are similar for similar classes of taxpayers; and, (2) provide a specific date on which the exemption will cease to be effective.

There were no amendments proposed to this measure at our hearing. We did receive testimony from Carole Vilardo, Mike Alastuey, and Dino DiCianno on the history of the measure and on their understanding of it. You will also find in your work session packet (Exhibit C) a document from Hobbs, Ong and Associates, Inc. (Exhibit D), which was requested by the Committee and provided by Carole Vilardo. It is a listing of the current tax exemptions available in Nevada.

Assemblywoman Koivisto:

Will this affect current exemptions like the veteran's exemption? Ms. Vilardo is shaking her head, "No."

Assemblywoman Gansert:

Ms. Vilardo mentioned that whenever we have an exemption there should be a sunset date, and I believe this covers that. It says in Section 6, subsection 2(b)

that the Legislature shall "Provide a specific date on which the exemption will cease to be effective."

Assemblyman Segerblom:

Will this be retroactive with respect to current exemptions that do not have an expiration date?

[Carole Vilardo and Dino DiCianno, who were in the audience, were asked to come forward to the witness table.]

Carole Vilardo, President, Nevada Taxpayers Association:

No, this is prospective. It does nothing to the existing exemptions in statute.

Assemblyman Ohrenschall:

Do any other state constitutions have similar provisions on exemptions?

Carole Vilardo:

I do not have a clue.

Dino DiCianno, Executive Director, Department of Taxation, State of Nevada:

I am not aware whether they do or do not.

Assemblyman Segerblom:

Has our current Governor taken a position on this?

Dino DiCianno:

I do not know.

Assemblyman Cobb:

I do not think we should change this because I think we should get it on the books, but I do agree with making this retroactive. Sunsetting some of these exemptions may be appropriate and should be reviewed periodically. Perhaps in the future we should consider applying this to citizen initiatives, as well.

Chair Mortenson:

I agree there is no perfect bill, but this one needs to pass in its present form. It is something we can address in the future. I will accept a motion.

ASSEMBLYWOMAN KOIVISTO MOVED TO DO PASS A.J.R. 16 OF THE 73rd LEGISLATIVE SESSION.

ASSEMBLYWOMAN GANSERT SECONDED THE MOTION.

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

With no further business to come before the Committee, we are adjourned [at 4:13 p.m.].

RESPECTFULLY SUBMITTED:

Terry Horgan
Committee Secretary

APPROVED BY:

Assemblyman Harry Mortenson, Chair

DATE: _____

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PREPARED BY
RESEARCH DIVISION
LEGISLATIVE COUNSEL BUREAU
Nonpartisan Staff of the Nevada State Legislature

WORK SESSION

Assembly Committee on Elections, Procedures, Ethics, and Constitutional Amendments

March 8, 2007

Bills Under Consideration

The following measures may be considered for action during today's work session. If amendments have been proposed to any measure under consideration, they are noted. Amendments suggested during testimony or submitted after a hearing do not necessarily have the Committee's approval. If the Committee has proposed amendments, that too is noted.

☐ Assembly Joint Resolution No. 10 _____
Floor Assignment _____

☐ Assembly Joint Resolution No. 16 _____
Floor Assignment _____

Committee Action:
Do Pass _____
Amend & Do Pass _____
Other _____

This measure may be considered for action during today's work session.
(March 8, 2007)

Assembly Joint Resolution No. 10 of the 73rd Session

Proposes to amend *Nevada Constitution* to revise residency requirement for purpose of being eligible to vote in elections. (BDR C-1379)

Sponsored by: Assembly Committee on Elections, Procedures, Ethics, and Constitutional Amendments

Date Heard: February 13, 2007

Fiscal Impact: Effect on Local Government: No.
Effect on the State: No.

Assembly Joint Resolution No. 10 proposes to remove language from Section 1, Article 2, of the *Nevada Constitution* which stipulates that a person who is otherwise eligible to vote must have resided in Nevada for six months immediately prior to an election in order to be eligible to vote in that election. Removal of this language will result in the State maintaining a 30-day residency requirement for voter eligibility, which is consistent with federal law.

Amendments: No amendments have been proposed to A.J.R. 10.

Special Notes: It is important to remember that A.J.R. 10 must pass both the 2005 and 2007 Legislative Sessions in identical form in order to be placed before the voters at the 2008 General Election.

Committee Action:
Do Pass _____
Amend & Do Pass _____
Other _____

This measure may be considered for action during today's work session.
(March 8, 2007)

Assembly Joint Resolution No. 16 of the 73rd Session

Proposes to amend *Nevada Constitution* to provide requirements for enactment of property and sales tax exemptions. (BDR C-422)

Sponsored by: Assembly Committee on Elections, Procedures, Ethics, and Constitutional Amendments (On Behalf of the Legislative Committee for Local Government Taxes and Finance)

Date Heard: February 13, 2007

Fiscal Impact: Effect on Local Government: No.
Effect on the State: No.

Assembly Joint Resolution No. 16 proposes to amend the *Nevada Constitution* to provide requirements for the enactment of property and sales tax exemptions. The measure prohibits the Legislature from enacting an exemption from any ad valorem tax on property or excise tax on the sale, storage, use, or consumption of tangible personal property sold at retail unless the exemption: (1) will achieve a bona fide social or economic purpose and the benefits are expected to exceed any adverse effects on services to the public; and (2) will not impair the ability of the State or a local government to pay all interest and principal on any outstanding bonds or any other obligations when due.

If the Legislature enacts an exemption, the Legislature must: (1) ensure that the requirements for claiming the exemption are similar for similar classes of taxpayers; and (2) provide a specific date on which the exemption will cease to be effective.

Amendments: No amendments have been proposed to this measure.

Special Note: It should be noted that A.J.R. 16 must pass both the 2005 and 2007 Legislative Sessions in identical form in order for it to be placed before the voters at the 2008 General Election.



Hobbs, Ong

& ASSOCIATES, INC.

Financial Consultants / Advisors

TO: SB 253 COMMITTEE
FROM: *goh* GUY HOBBS, CAROLE VILARDO
SUBJECT: EXEMPTIONS FROM PROPERTY AND SALES TAXATION
DATE: MAY 21, 1998

Background:

There are two distinct forms of exemptions from property and sales taxation. The first form is comprised of explicit exemptions that are codified in statute. These may apply to certain areas of commodities trade (i.e., prosthetics, prescription drugs, etc.); to certain classes of taxpayer (i.e., senior citizens, churches, etc.); or for economic development purposes (i.e., certain manufacturing equipment, air craft parts, etc.). The second form of exemption is more implicit. In the case of property tax, the method of arriving at assessed valuations may exclude certain portions of overall property value from taxation. In the case of sales tax, the original imposition and subsequent referendum restrict the application of the tax for all intents and purposes to tangible personal property. As a consequence, Nevada has one of the narrowest sales tax bases in the nation.

The statutory exemptions currently in law can be separated into four categories:

<u>Category</u>	<u>Examples</u>
Nonprofit	Charitable, religious, scientific, educational, governmental, etc.
Political Charitable	Veterans, widows, orphans, low-income, disabled, etc.
Economic Development	Attraction of new businesses, economic diversification, etc.
Natural Resources	Solar energy, qualified systems for heating and cooling, etc.

Attachment I, which follows, summarizes and describes current exemptions from property taxes. Attachment II focuses upon exemptions from sales tax.

The purpose of this discussion is not to necessarily recommend that existing exemptions be eliminated or modified. Rather, the objective of this analysis is to provide a framework against which future additions to an already lengthy list of exemptions can be evaluated. In consideration of both the implicit and explicit exemptions that are already in place, there exists a considerable "opportunity cost" of foregone revenue for state and local government. The base against which the sales tax is applied in Nevada is comparatively narrow and over the years, has been further narrowed through the approval of additional exemptions. Given the high level of reliance upon sales tax to fund services at nearly every level in the State, further erosion of the tax base should be avoided unless there is a qualified, demonstrated need for the exemption. The same concerns exist for the property tax base.

SB 253 Committee

May 21, 1998

Page 2

A number of questions can arise regarding tax exemptions:

- Does the exemption meet the purpose for which it was originally approved?
- Does the exemption lead to more or less equity in terms of its application?
- Does the exemption hit the target it was originally designed to hit or does it have broader or narrower application than intended?
- Is the exemption widely or rarely used?
- What is the fiscal impact of the exemption?
- Do the benefits of the exemption outweigh the costs?

Perhaps the questions above can be aggregated into an all-inclusive test question:

- Does the exemption accomplish a bona fide social, economic, or political purpose?

The purpose of the discussion by the SB 253 Legislative Sub-Committee and the Technical Committee will be to more specifically describe the way in which the question above can be answered for exemptions that may be proposed in the future. The end product of the discussion will be a set of criteria and tests that can be used to evaluate future proposals. An initial set of discussion points, intended to facilitate dialogue, is attached as Attachment III.

ATTACHMENT II

NEVADA SALES TAX EXEMPTIONS PREPARED FOR SB 253 COMMITTEE

Exemptions from the tax upon tangible personal property sold at retail are summarized in Chapters 372 (state sales tax) and 374 (local school support tax). Exemptions from the city-county relief tax (basic and supplemental) and local optional taxes follow the provisions of the Local School Support Tax Act.

Generally, the following exemptions are noted in current law:

NRS 372.270 and NRS 374.275 PROCEEDS OF MINES.

The gross receipts from the sale of the mine proceeds are exempt. The gross receipts from the sale of minerals are subject to Taxes on Mines and Minerals, NRS Chapter 362.

NRS 372.275 and NRS 374.280 FUEL USED TO PROPEL MOTOR VEHICLE.

Fuels used in an internal combustion or diesel engine to propel a motor vehicle are exempt. Fuels are taxed under other provisions of the NRS Chapters 365, 366 and 373.

NRS 372.280 and NRS 374.285 ANIMALS AND PLANTS INTENDED FOR HUMAN CONSUMPTION FEED; FERTILIZER.

Animal and plant life which ordinarily constitute food for human consumption, and feeds and fertilizers associated therewith, are exempt.

NRS 372.283 and NRS 374.287 PROSTHETIC DEVICES, ORTHOTIC APPLIANCES AND CERTAIN SUPPORTS AND COSTS; APPLIANCES AND SUPPLIES RELATING TO OSTOMY; PRODUCTS FOR HEMODIALYSIS; MEDICINE.

The items noted in the title are exempt.

NRS 372.284 and NRS 374.289 FOOD FOR HUMAN CONSUMPTION.

Food for human consumption does not include alcoholic beverages, pet foods, tonics and preparations, and food intended for immediate consumption.

NRS 372.285 and NRS 374.290 MEALS AND FOOD PRODUCTS SOLD TO STUDENTS OR TEACHERS BY SCHOOL, ORGANIZATION OF STUDENTS OR PARENT-TEACHER ASSOCIATION.

The exemption applies to meals and food products served by public or private schools, school districts, student organizations and parent-teacher associations.

NRS 374.291 (not included in NRS Chapter 372) WORKS OF FINE ART FOR PUBLIC DISPLAY.

Fine art for public display that is purchased for \$25,000 or more and that will be on public display for certain minimum periods of time is exempt from the local school support tax, city-county relief tax and option taxes.

NRS 372.287 and NRS 374.292 TEXTBOOKS SOLD WITHIN UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA.

The items noted in the title are exempt.

NRS 372.290 and NRS 374.295 CONTAINERS.

Nonreturnable containers when sold without the contents to persons who place the contents in the containers for sale, containers sold with the contents (if the sales price of the contents is not subject to tax), and returnable containers are exempt.

NRS 372.295 and NRS 374.300 GAS, ELECTRICITY AND WATER.

Utility use charges are exempt.

NRS 372.300 and NRS 374.305 DOMESTIC FUELS.

Wood, coal, petroleum or gas used to produce domestic heat are exempt.

NRS 372.305 and NRS 374.310 PERSONAL PROPERTY USED FOR PERFORMANCE OF CONTRACT ON PUBLIC WORKS.

Tangible personal property used for the performance of a contract on public works executed before various dates is exempt. The most recent date prior to which a contract would have to have been entered into is May 1, 1981 (for the state, local school support, and city-county relief taxes). Option taxes may have more recent threshold dates, depending upon when the tax was enacted. As a result, certain binding contracts entered into prior to a sales tax increase are not subject to subsequent sales tax increases for the term of the contract.

NRS 372.310 and NRS 374.315 PERSONAL PROPERTY USED FOR PERFORMANCE OF CERTAIN WRITTEN CONTRACTS.

Similar to NRS 372.305 and NRS 374.310, certain contracts entered into prior to the effective dates of components of the overall sales tax received on exemption for personal property used in the performance of contracts.

NRS 372.315 and NRS 374.320 NEWSPAPERS.

Tangible personal property which becomes an ingredient or component part of any newspaper regularly issued, and any such newspaper, are exempt.

NRS 372.316 and NRS 374.321 MANUFACTURED HOMES AND MOBILE HOMES.

Forty percent of the gross receipts from the sale of new manufactured homes and new mobile homes and the gross receipts from the sale of used manufactured and used mobile homes are exempt.

**NRS 372.317 AIRCRAFT AND MAJOR COMPONENTS OF
 AIRCRAFT.**

The gross receipts from the sale of aircraft are exempt for an air carrier that maintains its central office in Nevada and bases a majority of its aircraft in Nevada. As this exemption is a part of Chapter 372, it applies only to the state sales tax rate.

NRS 374.322 AIRCRAFT, AIRCRAFT ENGINES AND COMPONENT PARTS OF AIRCRAFT.

Aircraft, aircraft engines, component parts, machinery, tools and other equipment and parts which are used exclusively in the repair and maintenance of aircraft are exempt. This exemption applies to the local school support tax, city-county relief tax and option taxes.

NRS 372.320 and NRS 374.325 OCCASIONAL SALES.

Gross receipts from occasional sales of tangible personal property are exempt.

NRS 372.325

**SALE TO UNITED STATES, STATE OR POLITICAL
SUBDIVISION.**

AND

NRS 374.330

**PERSONAL PROPERTY SOLD TO UNITED STATES,
STATE OR POLITICAL SUBDIVISION.**

Gross receipts from the sale of tangible personal property to the United States, the state of Nevada, and any city, county, district or other political subdivision of the state of Nevada are exempt.

PLEASE NOTE: Both of these statutes are effective until January 1, 1999 and after that date if the proposed amendment to the Sales and Use Tax Act is not approved by the voters at the 1998 general election. If the measure passes, the provisions will apply as described below.

**NRS 372.325 and NRS 374.330 SALE TO UNITED STATES; SALE TO OR BY STATE
OR POLITICAL SUBDIVISION.**

Similar to the previous sections, sales to the United States, State of Nevada and its political subdivisions would be exempt. Further exempted are sales by the State of Nevada and its political subdivisions, unless the tangible personal property sold by the State or its political subdivisions is purchased for resale to the public. These statutes are effective January 1, 1999, if the proposed amendment to the Sales and Use Tax Act is approved by the voters at the 1998 general election.

**NRS 372.326 and NRS 374.3305 PERSONAL PROPERTY SOLD BY OR TO NONPROFIT
ORGANIZATION CREATED FOR RELIGIOUS,
CHARITABLE OR EDUCATIONAL PURPOSES.**

Sales by or to a nonprofit organization created for religious, charitable, or educational purposes are exempt. NRS 372.3261 and NRS 374.3306 prescribe the requirements for organization created for religious, charitable or educational purposes, and NRS 374.3307 and NRS 372.343 define the procedure for claim of exemption by nonprofit organization created for religious, charitable or educational purposes. These authorizations must be renewed every five years.

NRS 372.327

**LOAN OR DONATION TO UNITED STATES, STATE,
POLITICAL SUBDIVISION OR RELIGIOUS OR
ELEMOSYNARY ORGANIZATION and NRS 374.331 -
PERSONAL PROPERTY LOANED OR DONATED TO
UNITED STATES, STATE, POLITICAL SUBDIVISION
OR RELIGIOUS OR ELEMOSYNARY
ORGANIZATION.**

Exempts property loaned or donated to the aforementioned from sales tax.

NRS 372.330 and NRS 374.335 SALES TO COMMON CARRIER.

Gross receipts from sales of tangible personal property to a common carrier, shipped to a point out of state and the property is actually transported to the out-of-state destination for use by the carrier in the conduct of its business as a common carrier are exempt.

NRS 372.335 and NRS 374.340 PROPERTY SHIPPED OUTSIDE STATE PURSUANT TO SALES CONTRACT.

Gross receipts from any sale of tangible personal property which is shipped to a point outside of the state pursuant to a contract of sale are exempt.

NRS 372.340 and NRS 374.345 PERSONAL PROPERTY SOLD TO OR USED BY CONTRACTOR WHO IS CONSTITUENT PART OF GOVERNMENTAL, RELIGIOUS OR CHARITABLE ENTITY.

If a contractor is a constituent part of a governmental religious or charitable entity, the sale or use of tangible personal property by the contractor is exempt.

NRS 374.357

ABATEMENT FOR ELIGIBLE MACHINERY OR EQUIPMENT USED BY CERTAIN BUSINESSES: APPLICATION; APPROVAL; PROVISION OF RECORDS; DURATION; CERTIFICATE OF ELIGIBILITY; REPAYMENT FOR FAILURE TO COMPLY WITH REQUIREMENTS; REGULATIONS.

Certain businesses may apply to the Commission on Economic Development for an abatement from the taxes imposed by Chapter 374. If approved by the Commission, the business is eligible for an abatement from the sales tax for up to 2 years. Numerous conditions must be met by the applicant business to be eligible for the abatement. The abatement would apply to the local school support tax, city-county relief tax and option taxes.

NEVADA PROPERTY TAX EXEMPTIONS
PREPARED FOR SB 253 COMMITTEE
BY
NEVADA TAXPAYERS ASSOCIATION
NOVEMBER 1997

CONSTITUTIONAL EXEMPTIONS

The basis for all property tax exemptions is found in Article 10 of Nevada's Constitution. The following sections are specific to property tax exemptions (real and personal).

- Section 2 - Known as the bank shares exemption. Also includes bonds, mortgages, notes, bank deposits, book accounts and credits, and securities.
- Section 3 - Known as the greenbelt exemption. Agricultural lands and open space lands are separately classed for taxation purposes. If such property is converted to a higher use a retroactive assessment to the higher use is done for not less than seven years.
- Section 4 - Known as the free port exemption. Inventory in transit is exempt from personal property tax.
- Section 5 - Motor vehicle exemption. The motor vehicle privilege tax is in lieu of the personal property tax.
- Section 6 - Known as the inventory tax exemption. This provision allows the legislature to exempt any other personal property including livestock.
- Section 8 - Known as the charitable tax exemption. Exempts property used for municipal, educational, literary, scientific or other charitable purposes, or to encourage the conservation of energy or the substitution of other sources for fossil sources of energy.

STATUTORY CONDITIONS TO PROPERTY TAX EXEMPTIONS

In addition to the "conditions" noted under the heading "statutory provisions", four (4) statutory cites provide certain requirements to be followed in the granting of an exemption, or conditions which nullify the exemption. They are:

NRS 361.155 USED IN CONJUNCTION WITH HOSPICES [361.088] VETERANS [361.098] AND VOLUNTEER FIRE DEPARTMENTS [361.150] AND PERSHING COUNTY KIDS RODEO (AB 249, 1997 SESSION) (1953 - last update 1997)

This provision provides for the filing of claims and designations; limitation on duration and amount of claims; assessment and penalty for erroneous grant or renewal.

NRS 361.1565 PROVIDES THAT CERTAIN EXEMPTIONS CAN BE APPLIED TO THE VEHICLE PRIVILEGE TAX (1977 - last update 1995)

Allows widows, orphans, blind persons, veterans and surviving spouses of veterans (NRS 381.080, 361.085, 361.090, and 361.091 respectively) to apply the exemption allowed to the motor vehicle privilege tax.

NRS 361.157 ESTABLISHES CONDITIONS UNDER WHICH EXEMPT REAL ESTATE IS SUBJECT TO TAXATION (1965 - last update 1997)

This provides the conditions under which and the method by which otherwise exempt property is subject to taxation. There are 13 exceptions to this section of statute.

NRS 369.159 ESTABLISHES CONDITIONS UNDER WHICH EXEMPT PERSONAL PROPERTY IF USED IN BUSINESS CONDUCTED FOR PROFIT IS SUBJECT TO TAXATION (1965 - last update - 1997)

Note: Chapter 562, Statutes of Nevada 1993, contains the following provision not included in NRS:

"The legislature hereby finds and declares that to ensure a uniform and equal rate of assessment and taxation and the just valuation for taxation of all property, including real, personal and possessory, as required by section 1 of article 10 of the constitution of the State of Nevada, it is necessary to value the right to the use and enjoyment of property that is owned by an entity exempt from taxation but leased to or used by a person not exempt from taxation pursuant to a leasehold interest, possessory interest, beneficial interest or beneficial use in a manner that is equivalent to the valuation of the right to the use and enjoyment of the property pursuant to an ownership interest."

STATUTORY PROPERTY TAX EXEMPTIONS

NRS 361.050 UNITED STATES PROPERTY EXEMPTED (1953 - last update 1955)

NRS 361.055 ALL LANDS AND PROPERTY OWNED BY THE STATE IS EXEMPT (1953 - last update 1993)

Conditions: Payment in lieu of taxes, to the county in which the property is located, is required to be made by the wildlife division to the county tax receiver. The money is to be apportioned each year to the counties, school districts and cities where such property is located.

Notes: (1) An exception is provided for real property acquired by the State and assigned to the division of wildlife which is or was subject to taxation under the provisions of NRS 361 at the time of acquisition.

(2) There are a number of AGO's, all issued prior to 1967 which appear to impact the calculation of the in lieu of tax payment.

NRS 361.060 PROPERTY OF NEVADA RURAL HOUSING AUTHORITY, POLITICAL SUBDIVISIONS AND MUNICIPAL CORPORATIONS (1953 - last update 1995, prior update 1967)

All lands and other property owned by the Nevada rural housing authority or any county, domestic municipal corporation, irrigation, drainage or reclamation district or town.

Note: An exception is provided (NRS 539.213) for a district whose irrigated acreage is less than 50,000 acres which is used for a community pasture.

NRS 361.0605 PUBLIC USE OF PRIVATELY OWNED PARK (added 1995)

The acquisition, improvement or use of land by the public as a park is a municipal purpose, whether or not the park is owned or operated by a local government.

Conditions: An agreement is required between the owners of the private park with the local government that the park is used by the public without charge, excluding areas from which income is derived.

Note: NAC 361.080 provides the interpretation of "park" and requirement for exemption. (9/6/96).

NRS 361.061 PUBLIC USE OF PRIVATELY OWNED AIRPORT (1985 - updated 1995)

The acquisition, improvement or use of land by the public as an airport is a municipal purpose, whether or not the airport is owned or operated by a local government.

NRS 361.062 PROPERTY OF TRUSTS FOR FURTHERANCE OF PUBLIC FUNCTIONS EXEMPTED (1971, last update 1975)

All property, real and personal, of a trust created for the benefit and furtherance of any public function pursuant to the provisions of general or special law.

Notes: (1) In lieu of taxes may be paid to the beneficiary pursuant to any agreement contained within the trust document.

(2) From the 2 AGO's cited this appears to pertain to school property and excludes them from paying the costs of special assessments to a city or county or having a lien put on the school.

NRS 361.065 PROPERTY OF SCHOOL DISTRICTS (1953 - updated 1979)

NRS 361.067 VEHICLES (1963 - updated 1979)

Note: Any vehicle required to be registered is subject to paying the motor vehicle privilege tax.

NRS 361.068 BUSINESS PERSONAL PROPERTY (1979 - last update 1997)

Personal Property Exemptions:

- (a) A merchant's inventory
- (b) Property held for sale by a manufacturer
- (c) Raw materials and components held by a manufacturer for manufacture into products and supplies to be consumed in the process of manufacture
- (d) Tangible personal property consumed during the operation of the business
- (e) Livestock
- (f) Colonies of bees
- (g) Pipe and other agricultural equipment used to convey water for irrigation of legal crops
- (h) All boats (other than a seaplane)
- (i) Slide-in campers and camper shells
- (j) Computers and related equipment donated for use in schools in this state
- (k) Fine art for public display

Conditions: (j) Computers and related equipment must be donated to a Foundation that accepts the donation for use by schools in this state. There is a new section in NRS 361 which provides the qualifications. This was added in 1997 by SB 423. Expires by Limitation June 30, 2003.

(k) must be on public display for at least 20 hours per week during at least 35 weeks of the year for which the exemption is claimed. Must file affidavit for claim with County Assessor on or before June 15. This was added in 1997 by AB 536.

Note: (d) NAC 361.065 defines "consumed" for the purpose of claiming the exemption (7/9/96)

NRS 361.0685 ECONOMIC DEVELOPMENT (1993 - updated 1997)

Applies to businesses that processes raw material of which at least 50 percent is recycled on site; or businesses that include as a primary component an active system to utilize solar energy or a facility for the production of electrical energy from recycled material. Provides a 75% exemption on real property for a period of 20 years and on personal property for a period of 10 years.

NRS 361.069 HOUSEHOLD GOODS AND FURNITURE (1979 - last update 1989)

Note: Does not apply to a person who rents appliances or furniture or provides furniture or appliances in conjunction with the rental of an apartment in a complex containing five or more dwelling units.

NRS 361.070 DRAINAGE DITCHES, CANALS AND IRRIGATION SYSTEMS (1953 - last update 1991)

Drainage ditches and canals, together with lands included in the right of way for ditches or canals, Irrigation system of pipes or concrete linings or ditches and headgates used for irrigation and agricultural purposes on land devoted to agricultural purposes.

NRS 361.073 PROPERTY OF WATER USERS' NONPROFIT ASSOCIATIONS AND NONPROFIT COOPERATIVE CORPORATION (added 1969)

NRS 361.075 UNPATENTED MINES AND MINING CLAIMS ARE EXEMPT (1953 - last update 1955)

Note: The net proceed of minerals and mines tax (NRS 362) is levied on unpatented mines and mining claims.

NRS 361.077 REAL AND PERSONAL PROPERTY USED FOR THE CONTROL OF AIR OR WATER POLLUTION (1973 - last update 1991)

Conditions: Not allowed if the facility or device is less than \$1,000. Requires the filing of an affidavit which declares that the property meets the requirements of this NRS. Also requires the affidavit must be filed pursuant to NRS 361.155.

Notes: (1) NAC 361.046-050 define property used for control of air and water pollution (9/1/73 - last update 11/15/77).
(2) The Department of Taxation is required to publish an annual report each fiscal year showing the revenue impacts to the State and local governments.

NRS 361.078 RESIDENTIAL PROPERTY CONTAINING BOMB SHELTER (added - 1981)

Residential property to \$1,000 assessed valuation is exempt from taxation if the property is owned and occupied by a resident of this state and contains a shelter for protection against radioactive fallout.

Conditions: Requires standards for the shelter, establishes residency conditions on the person filing and requires the filing of an affidavit with the county Assessor.

NRS 361.079 QUALIFIED SYSTEMS FOR HEATING OR COOLING (1977 - last update - 1991)

Qualified systems use wind, solar, geothermal resources energy derived from conversion of solid wastes or water power. These systems are excluded from the assessed value of the building.

Note: NAC 361.052 -361.058 governs the above (4/24/84).

NRS 361.080 WIDOWS AND ORPHANS (1953 -last update - 1989)

The property of widows and orphans not to exceed \$1,000, must be allowed.

Note: This exemption is allowed under the Constitutional provision providing for "other charitable purposes" - Article 10, section 8.

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NRS 361.082 QUALIFIED LOW-INCOME HOUSING PROJECTS (added - 1991)

Real property and tangible personal property are exempt if the project is funded in part by federal money for a "qualified low-income housing project".

Note: A reviser's note provides a preamble not included in statute.

"The legislature finds and declares that exempting low-income housing from taxation to enhance the affordability of shelter to economically disadvantaged persons constitutes a charitable purpose because it assists those persons in establishing themselves with life's necessities thereby lessening the burden of government."

NRS 361.083 PROPERTY USED FOR CARE OR RELIEF OF ORPHANS AND INDIGENTS (added 1991)

A hospital or other "charitable asylum" for the care or relief of orphan children or sick, infirm or indigent persons, owned by a nonprofit corporation is exempt.

NRS 361.085 PROPERTY OF BLIND PERSONS (1953 - last update 1995)

Conditions: Requires annual filing of affidavit.

Note: Not to exceed \$3,000 of assessed valuation. (Includes community property to the extent the blind person has an interest.)

NRS 361.086 PROPERTY USED FOR HOUSING ELDERLY OR HANDICAPPED PERSONS (added 1981)

Conditions: Property must be financed by a loan under the Housing Act of 1959 as amended; and the property owned or operated by a non-profit corporation registered in Nevada as a foreign or domestic corporation.

**NRS 361.087 RESIDENTIAL IMPROVEMENTS FOR PERSONS WITH DISABILITIES
(1977 - updated 1993)**

An increase must not be made to the assessed valuation of a residence for the improvements made to accommodate the resident who has disabilities.

Conditions: An affidavit filed with the county assessor setting forth the nature of the improvement and the date(s) of making it.

NRS 361.0875 COMMERCIAL IMPROVEMENTS MADE TO ACCOMMODATE PERSONS WITH DISABILITIES (1993 - Expires by limitation on June 30, 2003)

An increase must not be made to the assessed valuation of real or personal property used to accommodate the provisions of the ADA.

Conditions: The improvement must be made not earlier than July 1, 1990 and not later than April 1, 1995. An affidavit was required to be filed no later than April 1, 1995

NRS 361.090 VETERANS' EXEMPTION (1953 - last update 1995)

Allowed on property to the extent of \$1,000 assessed valuation.

Conditions: Dates of having been in service are specified. Requires the County Assessor to obtain proof of status of veteran. Provides that the filing of a false affidavit is a gross misdemeanor.

Notes: (1) Exemption given by the legislature on the basis of "other charitable purposes" language contained in Article 10, section 8 of the Nevada Constitution.

(2) The amount of exemption received by the veteran may be credited to the veteran's home account.

NRS 361.091 DISABLED VETERAN'S EXEMPTION (1973 - last update 1995)

Conditions: The amount of the exemption - up to the first \$10,000 of the assessed valuation is based on the percentage of the disability. An affidavit as required for NRS 360.090 must be filed.

Note: Under certain conditions the surviving spouse of a disabled veteran may apply for the exemption. A veteran who receives this exemption may not receive the exemption allowed in NRS 361.090.

NRS 361.095 VETERANS' ORGANIZATIONS (1953 - last update 1975)

Conditions: The property exemption cannot "exceed the sum of \$5,000 assessed valuation to any one post or organization thereof." Additionally "...when any such property is used for purposes other than those of such organization, and rent or other valuable consideration is received for its use, the property so used shall be taxed." "Where any structure or parcel of land is used partly for the purposes of such organization and partly for rental purposes, the area used for rental purposes shall be assessed separately and that portion only shall be taxed."

**NRS 361.098 CHARITABLE FOUNDATIONS ESTABLISHED BY THE BOARD OF REGENTS
(1989 - updated 1993)**

Conditions: Property must be taxed when it is used for any purpose other than carrying out the legitimate functions of the foundation.

NRS 361.099 CERTAIN PROPERTY LEASED OR RENTED TO UNCCS (1995)

Conditions: The real and personal property leased or rented to the University and Community College System of Nevada must be of a total consideration less than 10% of the fair market rental.

Note: NAC 361.070 establishes conditions for applying for exemption (7/9/96)

NRS 361.100 UNIVERSITY FRATERNITIES AND SORORITIES (1953 - last update 1991)

NRS 361.105 NONPROFIT PRIVATE SCHOOLS (1953 - updated 1955)

Note: AGO 304 (4-1-1941) ruled that real property owned by a nonprofit school in another state is not entitled to the exemption.

**NRS 361.110 NEVADA MUSEUM OF ART, INC., YOUNG MEN'S CHRISTIAN ASSOCIATION,
AMERICAN NATIONAL RED CROSS or any of its chapters in the State of Nevada,
SALVATION ARMY CORPS, GIRL SCOUTS OF AMERICA, CAMP FIRE GIRLS, INC.,
BOY SCOUTS OF AMERICA and SIERRA ARTS FOUNDATION (1953 - last update 1995)**

Conditions: If property is used for purposes other than the organization and rent or other valuable consideration is received, the property must be taxed, unless it is by another [501(c)(3)] tax exempt organization.

NRS 361.111 CERTAIN PROPERTY OF NATURE CONSERVANCY (1969 - updated 1993)

Property acquired and held for ultimate acquisition by the state or a local governmental unit are exempt from taxation.

Conditions: If the property is sold to a non governmental unit, then the taxes must be paid for each year the property was exempt.

NRS 361.115 NEVADA CHILDREN'S FOUNDATION (1953 - last update 1955)

Conditions: If property is used for any purpose other than carrying out the legitimate functions of the Foundation, the same shall be taxed.

NRS 361.125 CHURCHES AND CHAPELS (1953 - last update 1995)

Conditions: When property is used exclusively or in part for other than church purposes or rent is received the property, must be taxed. If the church rents property to hold services and at the same time owns vacant property on which it plans to build a church, the vacant property is exempt for 3 years.

Note: NAC 361.125 establishes the conditions for applying for the exemption (7/9/96).

NRS 361.130 PUBLIC CEMETERIES AND GRAVEYARDS (1953 - last update 1955)

Conditions: If they are used for and open to the public and make no charge for burial.

NRS 361.132 NON PROFIT (UNDER PROVISIONS OF NRS 82) PRIVATE CEMETERIES AND PLACES OF BURIAL (added in 1991)

NRS 361.135 LODGES OF THE BENEVOLENT PROTECTIVE ORDER OF ELKS, FRATERNAL ORDER OF EAGLES, FREE AND ACCEPTED MASONS, INDEPENDENT ORDER OF ODD FELLOWS, KNIGHTS OF PYTHIAS, KNIGHTS OF COLUMBUS, LAHONTAN AUDUBON SOCIETY, THE NATIONAL AUDUBON SOCIETY, INC., OF N.Y., THE DEFENDERS OF WILDLIFE OF D.C., OR SIMILAR BENEVOLENT OR CHARITABLE SOCIETY. (1953 - last update 1991)

Conditions: The areas used for rental purposes shall be assessed separately and only that portion shall be taxed. The exemption shall not exceed the sum of \$5,000 assessed valuation to any one lodge, society or organization.

NRS 361.145 NONCOMMERCIAL THEATERS (1953 - last update 1971)

Theaters owned and operated by nonprofit educational corporations organized for the exclusive purpose of conducting theater classes and producing plays on a nonprofessional basis.

Conditions: The articles of incorporation must provide that the property will revert to the county of location, if these is a cessation of the activities.

NRS 361.150 VOLUNTEER FIRE DEPARTMENTS (1953 - last update 1973)

Conditions: If used for any function other than carrying out the legitimate functions of a fire department the tax applies.

NRS 361.153 FARM MACHINERY HELD FOR SALE (added in 1969)

NRS 361.160 "PERSONAL PROPERTY IN TRANSIT" DEFINED - AKA FREE PORT LAW (1949 last update 1991)

Note: 1) NRS 361.165 - provides for the designation of "no situs" property and the keeping of warehouse records and books, contents and inspection; NRS 361.170 - requirements for claims of exemption; NRS 361.180 - civil action for taxes evaded; and NRS 361.185 - penalty for false statement.

2) NAC 361.062 pertains to NRS 361.170

ADDITIONS TO PROPERTY TAX EXEMPTIONS APPROVED BY 1997 LEGISLATURE

AB 249 PERSHING COUNTY KIDS RODEO

Conditions: Any property rented must be taxed unless the rental is to a tax exempt organization pursuant to U.S. code 26 article 501(c)(3).

AB 476

APPRENTICESHIP PROGRAMS - EXPIRES BY LIMITATION JULY 1, 2007

Conditions: Must be owned and operated by a local or state program which is a tax exempt organization pursuant to U.S. code 26, article 501(c)(3); and is registered and approved by the state apprenticeship council pursuant to NRS 610.

AB 576

FINE ART WORK EXEMPTION

Conditions: Must have an appraised value or be purchased for \$25,000 or more; and be on display at least twenty hours per week a year.

SB 233

ECONOMIC DEVELOPMENT INCENTIVE

A new or expanding business may receive a personal property tax exemption of 50% for ten years.

Conditions: The company must pay at least 125% of the statewide average industrial wage and provide health insurance; must meet the conditions for the number of employees hired or added to payroll and capital investment; and the abatement must be approved by the governing body of the affected jurisdiction. The company then must apply to the Commission on Economic Development for certification.

SB 256

THE PRODUCTION OF ELECTRICAL ENERGY FOR SOLAR ENERGY

Personal property may not be exempted for more than 10 consecutive years and real property may not be exempted for more than 20 years.

Note: This exemption does not apply to residential facilities or property used as a facility before July 1, 1997.

SB 423

COMPUTERS FOR SCHOOLS

Conditions: Computers and related equipment must be donated to a non-profit organization that accepts property for use of schools in this State.

PROPERTY TAX ASSISTANCE PROGRAMS

NRS 361.797

ALLOWANCE FOR PRESERVATION OF CERTAIN RAILROAD LINES (added 1979)

Taxes are paid on property on certain railroad lines while service is discontinued if it falls under the State program established in NRS 702.423 for the physical preservation of such lines and the owner of the property is admitted to the program by the Department of Transportation. Acclaim is allowed to the owner which is paid by the County. The County is then reimbursed by the Department of Transportation.

NRS 361.800

SENIOR CITIZEN'S PROPERTY TAX RELIEF ACT (added 1973-75, last update 1997 to NRS 877 effective 7/1/99)

Provides an allowance against property taxes due to a senior citizens which cannot exceed \$500. The percentage of relief ranges from 90% down to 10% depending on income. The income criteria will change effective July 1, 1999 based on legislation passed this session. Seniors who rent are also eligible for this exemption. Eight percent of the rent they paid is deemed to be property tax for the purposes of computing the allowance. The State pays for this program.

Notes: 1) The renters rebate is provided to all seniors who qualify based on income, even though they are residing in public housing (no property taxes are paid on public housing).

2) NAC 361.866 through 361.876 governs the above (11/15/87).

D-13

**MINUTES OF THE
SENATE COMMITTEE ON TAXATION**

**Seventy-fourth Session
May 3, 2007**

The Senate Committee on Taxation was called to order by Chair Mike McGinness at 1:30 p.m. on Thursday, May 3, 2007, in Room 2135 of the Legislative Building, Carson City, 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 Mike McGinness, Chair
Senator Randolph J. Townsend, Vice Chair
Senator Dean A. Rhoads
Senator Bob Coffin
Senator Michael A. Schneider
Senator Terry Care

COMMITTEE MEMBERS ABSENT:

Senator Mark E. Amodei (Excused)

GUEST LEGISLATORS PRESENT:

Assemblyman Harry Mortenson, Assembly District No. 42
Assemblyman James Settlemeyer, Assembly District No. 39

STAFF MEMBERS PRESENT:

Tina Calilung, Deputy Fiscal Analyst
Russell J. Guindon, Senior Deputy Fiscal Analyst
Julie Birnberg, Committee Secretary

OTHERS PRESENT:

Dino DiCianno, Executive Director, Department of Taxation
Carol A. Vilardo, Nevada Taxpayers Association
Michael R. Alastuey, Clark County
Vinson W. Guthreau, Nevada Association of Counties

Senate Committee on Taxation
May 3, 2007
Page 4

MR. DICIANNO:

That is correct; Phase 3 of our new computer system has a discovery piece module that will go live in June and greatly assist us in finding those not in compliance.

SENATOR COFFIN:

Would that enable this as a workable measure?

MR. DICIANNO:

Yes, absolutely.

CAROL A. VILARDO (Nevada Taxpayers Association):

We strongly support A.B. 236.

ASSEMBLYMAN HARRY MORTENSON (Assembly District No. 42):

I have turned in 120 of those forms in a row with zeroes; this is a great bill.

VICE CHAIR TOWNSEND:

We will close the hearing on A.B. 236 and open the hearing on Assembly Joint Resolution (A.J.R.) 16 of the 73rd Session.

ASSEMBLY JOINT RESOLUTION 16 of the 73rd Session: Proposes to amend Nevada Constitution to provide requirements for enactment of property and sales tax exemptions. (BDR C-422)

ASSEMBLYMAN MORTENSON:

Assembly Joint Resolution 16 of the 73rd Session is back for a second time. If it is passed this time, it goes to a vote of the people as a constitutional amendment. It is a common-sense bill that says we do not give tax breaks on sales or property tax unless a social or financial benefit is greater than what we give away. It will provide some guidelines when people are throwing our money away.

SENATOR COFFIN:

This will not address abatements or economic incentive-type bills versus exemptions from existing.

MICHAEL R. ALASTUEY (Clark County):

This bill would not affect any abatement or exemption now in place. It would only act prospectively and provide the guidelines that Assemblyman Harry Mortenson pointed out. In recent sessions, considerable hours were spent treating exemptions point by point, line by line and attempting to wrestle each issue individually. This provides a framework for future findings and legislative actions.

SENATOR COFFIN:

I wanted to make sure we understood an exemption. The terms exemption and abatement have the same meaning, is that correct?

MR. ALASTUEY:

This says exemptions only. The technical terms between exemption and abatement, I leave to counsel. An exemption is an absence of an obligation, and an abatement is a recognition there could be a tax; however, circumstances that qualify an individual situation provide that the tax under certain circumstances need not be paid.

SENATOR COFFIN:

We will need some guidance since we are getting close to passage of this bill.

SENATOR RHOADS:

What would be a good example of a social or economic purpose?

MR. ALASTUEY:

At the time the exemption is considered, the social or economic benefit is what you deem relevant.

VICE CHAIR TOWNSEND:

The economic part is much easier to define than the social part. If we reduce the tax which reduces the cost, does it stimulate it enough to increase the amount of incoming revenue? When you talk about the social part, what is beneficial in a social context for one group may detriment another group.

MR. ALASTUEY:

If, for example, an exemption for veterans or widowed persons were considered, that might draw attention to the potential social benefit less than the economic benefit in some scenarios.

Senate Committee on Taxation
May 3, 2007
Page 6

SENATOR RHOADS:

We heard that bill on exemptions for airplane maintenance, etc. All our neighboring states exempt that type of business, but we do not. Some of them are ready to move out of Nevada because the tax would probably qualify them. It brings in more money than it loses.

MR. ALASTUEY:

Perhaps, the economic effects of that regard competitive issues with the location of those particular facilities and businesses.

ASSEMBLYMAN MORTENSON:

This is the second time around; it passed this House once and the other House twice. We are coming back for the second time to the Senate; if the Senate passes it again, it goes to the voters as a constitutional amendment. If you give a property or sales tax break, you must either have a well-defined social reason or an economic benefit.

CHAIR MCGINNESS:

People have a hard time reading these things on the ballot and sometimes do not understand them. Will there be any effort to make sure this passes?

MS. VILARDO:

We are in support of the resolution. We will issue information to our members and other associations that belong to us. You do want to know of an economic or social benefit to these exemptions or abatements because when you do them willy-nilly, sooner or later that clashes with an economic downturn and the business community is usually attacked for taxes. The more thought put into an exemption abatement, the better off we are.

I referenced this legislation when I was testifying on the apprenticeship bill, this is the basis for something we have looked at as policy. Most of you know we have consistently asked for these sunsets when these bills came up. When they are for new exemptions, we try to get some policy indication or understanding of the trade-offs. This is important. It is in the Constitution because when the discussion of a statutory change comes about with the impacts of exemptions, the legal counsel to the Committee on Local Government Finance said you cannot bind one Legislature over another. If you want this part of a policy statement, it has to be a constitutional change. That is why it is before you as a resolution and not a statute.

Senate Committee on Taxation
May 3, 2007
Page 7

CHAIR MCGINNESS:

Will this push the Legislature to look at future requests for exemptions deeper than before?

MS. VILARDO:

Absolutely.

SENATOR COFFIN:

If a court has to look at this later, do they care about the legislative record, if it is a resolution passed by the voters? Do they care about intent or is the plain language of the ballot resolution all that they consider?

MS. VILARDO:

I have found courts react both ways. Court decisions from a number of years ago said it is not the intent but the plain meaning of the statute, although legislative intent and history were looked at in other court cases.

SENATOR COFFIN:

I want to make sure we have a clear understanding about an exemption and an abatement.

MS. VILARDO:

When these discussions started back in 1997 and 1998, there was no bill or resolution from that interim committee. We were dealing with exemptions. When we cleaned up all the economic development exemptions, we used the term abatement to distinguish a partial abatement of a tax for a time certain versus an exemption, which is usually open-ended and the full extent allowed by law. Prior to the Streamlined Sales Tax, it was only 5.75 percent for an indefinite period of time. Since I have been with the Association, our argument has been that the exemption, because it is open-ended, be subject to a sunset after a review to make sure the original need still exists. When the discussion started, the Legislature chose to distinguish the open-ended exemptions as fully exempt from the tax for an unlimited period of time whereas the abatement does not extend past a specific time period. Seventy percent of the cases involve property tax. Those are all partial. Nothing left in statute is 100 percent against personal property or property tax. They are generally 50 percent for up to 10 years.

Senate Committee on Taxation
May 3, 2007
Page 8

SENATE BILL 321 (1st Reprint): Provides certain economic incentives for certain motion picture companies. (BDR 18-1182)

SENATOR COFFIN:

I sponsored Senate Bill 321 for film company incentives which was supported by the Commission on Economic Development and other groups all over the state. Section 12 basically says *Nevada Revised Statute* (NRS) chapter 374 is hereby amended by adding a motion picture company that holds a certificate of eligibility and engages in the making of a motion picture is entitled to an abatement of some taxes imposed on the gross receipts, etc. In section 10 addressing NRS 366.220, that same motion picture company is exempt from the imposition of certain fees. We may need to straighten out a problem here.

MS. VILARDO:

That is a question for your Legal Division and how they distinguish it.

SENATOR COFFIN:

Abatement means it is not automatic unless an action occurs, and it expires when the action has occurred.

ASSEMBLYMAN MORTENSON:

The very last provision on this bill requires a specific date on which any exemption ceases to be effective. These exemptions will also be time certain.

CHAIR MCGINNESS:

We talked about the Legislature looking at these exemptions more closely, and Senator Coffin even said trying to predict a specific date on which the exemption ceases effectivity is a tough chore for future Legislators.

ASSEMBLYMAN MORTENSON:

In most cases, the economic one can be easily calculated, and if it does not add up, then the pressure would be not to award an exemption. The tough one will be the social. There will be a difference of opinion on what is socially worthwhile.

VINSON W. GUTHREAU (Nevada Association of Counties):

We support A.J.R. 16 of the 73rd Session and, although we appreciate the efforts by the Legislature to provide or promote incentives through these sales

Senate Committee on Taxation
May 3, 2007
Page 9

and property tax or exemptions, there needs to be some direction and this resolution does that.

MR. DiCIANNO:

While the Department is neutral with respect to A.J.R. 16 of the 73rd Session, it will provide the Department some clarity with respect to the administration of exemption and abatements. It will also provide some limitations to the applicability and time certainness of those exemptions. This benefit goes hand in hand with the bill passed out of here regarding the Streamlined Sales and Use Tax Agreement. This will assist in that also.

CHAIR MCGINNESS:

We are adjourned at 2:13 p.m.

RESPECTFULLY SUBMITTED:

Julie Birnberg,
Committee Secretary

APPROVED BY:

Senator Mike McGinness, Chair

DATE: _____

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

NEVADA DEPARTMENT OF TAXATION

COMBINED SALES AND USE TAX RETURN

This return is for use by sellers of tangible personal property. If you are not a seller or no longer sell, please notify the Department of Taxation.

MAIL ORIGINAL TO:

STATE OF NEVADA - SALES/USE
PO BOX 52609
PHOENIX AZ 85072-2609

For Department Use Only

Return for month Ending 07/31/06

Due on or before 08/31/06

Date paid 04/30/07

If the name or address as shown is incorrect, if the ownership or business location has changed, or if you are out of business, notify a Nevada Department of Taxation District Office immediately.

IF POSTMARKED AFTER DUE DATE, PENALTY
AND INTEREST WILL APPLY

A RETURN MUST BE FILED EVEN IF NO TAX LIABILITY EXISTS

SALES TAX

USE TAX

ENTER AMOUNTS IN
COUNTY OF SALES/USE
(OR COUNTY OF
DELIVERY)

	TOTAL SALES	EXEMPT SALES	TAXABLE SALES	TAX RATE	CALCULATED TAX
TAX CALCULATION FORMULA	COLUMN A	- COLUMN B	= COLUMN C	x COLUMN D	= COLUMN E
01 CHURCHILL			0.00	7.250%	0.00
02 CLARK			0.00	7.750%	0.00
03 DOUGLAS			0.00	6.750%	0.00
04 ELKO			0.00	6.500%	0.00
05 ESMERALDA			0.00	6.500%	0.00
06 EUREKA			0.00	6.500%	0.00
07 HUMBOLDT			0.00	6.500%	0.00
08 LANDER			0.00	6.750%	0.00
09 LINCOLN			0.00	6.750%	0.00
10 LYON			0.00	6.500%	0.00
11 MINERAL			0.00	6.500%	0.00
12 NYE			0.00	6.750%	0.00
13 CARSON CITY			0.00	7.125%	0.00
14 PERSHING			0.00	6.500%	0.00
15 STOREY			0.00	7.250%	0.00
16 WASHOE			0.00	7.375%	0.00
17 WHITE PINE			0.00	7.375%	0.00
TOTALS	0.00	0.00	0.00		

AMOUNT SUBJECT TO USE TAX	TAX RATE	CALCULATED TAX
COLUMN F	x COLUMN G	= COLUMN H
	7.250%	0.00
	7.750%	0.00
	6.750%	0.00
	6.500%	0.00
	6.500%	0.00
	6.500%	0.00
	6.500%	0.00
	6.500%	0.00
	6.750%	0.00
	6.750%	0.00
	6.500%	0.00
	6.500%	0.00
	6.750%	0.00
	7.125%	0.00
	6.500%	0.00
	7.250%	0.00
	7.375%	0.00
	7.375%	0.00
		0.00

18. TOTAL CALCULATED SALES (18a) AND USE (18b) TAX

SUM OF COLUMN E 18a.

SUM OF COLUMN H 18b.

19. ENTER COLLECTION ALLOWANCE FOR TIMELY FILING (LINE 18a x 0.50%)

19.

COLLECTION ALLOWANCE IS FOR SALES TAX ONLY THERE IS NO COLLECTION ALLOWANCE FOR USE TAX

20. NET SALES TAX (LINE 18a - LINE 19)

20.

21. NET SALES AND USE TAX (LINE 20 + LINE 18b)

21. 0.00

22. PENALTY (LINE 21 x 10%)

22. 0.00

23. INTEREST (LINE 21 x 1% x 8 MONTHS PAST DUE)

23. 0.00

24. PLUS LIABILITIES ESTABLISHED BY THE DEPARTMENT

24. 0.00

25. LESS CREDIT(S) APPROVED BY THE DEPARTMENT

25. 0.00

26. TOTAL AMOUNT DUE AND PAYABLE

26. 0.00

27. TOTAL AMOUNT REMITTED WITH RETURN

27.

I HEREBY CERTIFY THAT THIS RETURN INCLUDING ANY ACCOMPANYING SCHEDULE AND STATEMENTS HAS BEEN EXAMINED BY ME AND TO THE BEST OF MY KNOWLEDGE AND BELIEF IS A TRUE, CORRECT AND COMPLETE RETURN.

RETURN MUST BE SIGNED

SIGNATURE OF TAXPAYER OR AUTHORIZED AGENT

E

PHONE NUMBER (WITH AREA CODE)

FEDERAL TAX ID NUMBER (EIN OR SSN)

DATE

MAKE CHECKS PAYABLE TO:
NEVADA DEPARTMENT OF TAXATION



EXHIBIT C Committee on Taxation

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Date: 5-3-07 Page 1 of 1

**MINUTES OF THE
SENATE COMMITTEE ON TAXATION**

**Seventy-fourth Session
May 10, 2007**

The Senate Committee on Taxation was called to order by Chair Mike McGinness at 1:47 p.m. on Thursday, May 10, 2007, in Room 2135 of the Legislative Building, Carson City, 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 Mike McGinness, Chair
Senator Randolph J. Townsend, Vice Chair
Senator Dean A. Rhoads
Senator Mark E. Amodei
Senator Bob Coffin
Senator Michael A. Schneider
Senator Terry Care

STAFF MEMBERS PRESENT:

Tina Calilung, Deputy Fiscal Analyst
Russell J. Guindon, Senior Deputy Fiscal Analyst
Julie Birnberg, Committee Secretary

OTHERS PRESENT:

Carole A. Vilardo, Nevada Taxpayers Association
Doug Sonnemann, Assessor, Douglas County
Trevor Hayes, Rhodes Homes

CHAIR MCGINNESS:

Assembly Bill (A.B.) 110 came from Assemblyman Jerry D. Claborn; this bill would extend the exemption for the property tax on certain apprenticeship programs. There was no opposition. The only talk of an amendment came from Carole Vilardo who suggested putting in a 15-year sunset on the property tax for the purpose of evaluation as it comes back.

Senate Committee on Taxation
May 10, 2007
Page 3

CHAIR MCGINNESS:

Assembly Joint Resolution (A.J.R.) 16 of the 73rd Session was brought to us by Carole Vilaro. This bill would be a constitutional amendment to provide requirements for enactment of sales tax exemptions.

ASSEMBLY JOINT RESOLUTION 16 of the 73rd Session: Proposes to amend Nevada Constitution to provide requirements for enactment of property and sales tax exemptions. (BDR C-422)

CAROLE A. VILARDO (Nevada Taxpayers Association):

The bill came out of the S.B. No. 253 of the 69th Session committee. This started in 2001 with a constitutional amendment, and there was a change in 2003. It came back in 2005 as what you have before you, A.J.R. 16 of the 73rd Session (Exhibit C, original is on file in the Research Library.). Senator Coffin asked if exemptions in the bill included abatements. I was at all of the meetings and helped prepare an initial exemption report which goes back to 1997. Abatements like the term infrastructure did not appear in statute. The first reference happens in the 1997 Session in one place. As we continued to modify the exemption report for the Committee to evaluate property and sales tax exemptions, we never changed it from exemption. It was assumed to cover anything that forgave any type of tax liability, whether in toto or to an individual, etc. The only reason you have the bill before you is that it represents something the Legislature has to consider before granting other exemptions.

SENATOR AMODEI MOVED TO DO PASS A.J.R. 16 OF THE 73RD SESSION.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN WAS ABSENT FOR THE VOTE.)

* * * * *

CHAIR MCGINNESS:

Assembly Bill 209 is the assessors' omnibus bill that seems to come around every session about this time, three weeks before the end. Looking at your work session document (Exhibit D), page 1 and two-thirds of page 2 have

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May 9, 2007

Senator Mike McGinness, Chairman
Senate Committee on Taxation
Nevada State Senate
401 S. Carson Street
Carson City, NV 89701

Re: Tax Exemptions - A.J.R. 16 of the 73rd Session

Dear Senator McGinness

At the May 3, 2007, Committee hearing it was asked whether the resolution was intended to address tax abatements as well as exemptions. The subject of this resolution has been under discussion since 1996 starting with the SCR 40 Committee. We have reviewed material generated by the Legislative Committee on Local Government Taxes and Finance and its Technical Advisory Committee, including the report on exemptions provided on May 21, 1998, and find the term "exemption" was then used to include all forms of excusal of or deduction from tax liability for the affected taxes.

General use of "abatement" only reached its current prominence in the 2005 session with consideration and passage of AB 489 and SB 509 when that term was applied in providing property tax relief under certain circumstances.

From these findings it is apparent that at the time the resolution was drafted the term "abatement" was not commonly used as a term of art for excusal or reduction of a tax. We would be pleased to provide to you the cited report to the Legislative Committee on Local Government Taxes and Finance, and we are available to answer questions.

Respectfully,

Carole Vilardo, President Nevada Taxpayers Association

Marvin Leavitt, Co-Chairman Technical Advisory Committee to
Legislative Committee on Local Government Taxes and Finance

Michael Alastuey, Member Technical Advisory Committee to
Legislative Committee on Local Government Taxes and Finance

Cc: Members Senate committee on Taxation
Russell Guindon, Fiscal Analysis



Hobbs, Ong

& ASSOCIATES, INC.

Financial Consultants / Advisors

TO: SB 253 COMMITTEE
FROM: *goh* GUY HOBBS, CAROLE VILARDO *(CV)*
SUBJECT: EXEMPTIONS FROM PROPERTY AND SALES TAXATION
DATE: MAY 21, 1998

Background:

There are two distinct forms of exemptions from property and sales taxation. The first form is comprised of explicit exemptions that are codified in statute. These may apply to certain areas of commodities trade (i.e., prosthetics, prescription drugs, etc.); to certain classes of taxpayer (i.e., senior citizens, churches, etc.); or for economic development purposes (i.e., certain manufacturing equipment, air craft parts, etc.). The second form of exemption is more implicit. In the case of property tax, the method of arriving at assessed valuations may exclude certain portions of overall property value from taxation. In the case of sales tax, the original imposition and subsequent referendum restrict the application of the tax for all intents and purposes to tangible personal property. As a consequence, Nevada has one of the narrowest sales tax bases in the nation.

The statutory exemptions currently in law can be separated into four categories:

<u>Category</u>	<u>Examples</u>
Nonprofit	Charitable, religious, scientific, educational, governmental, etc.
Political Charitable	Veterans, widows, orphans, low-income, disabled, etc.
Economic Development	Attraction of new businesses, economic diversification, etc.
Natural Resources	Solar energy, qualified systems for heating and cooling, etc.

Attachment I, which follows, summarizes and describes current exemptions from property taxes. Attachment II focuses upon exemptions from sales tax.

The purpose of this discussion is not to necessarily recommend that existing exemptions be eliminated or modified. Rather, the objective of this analysis is to provide a framework against which future additions to an already lengthy list of exemptions can be evaluated. In consideration of both the implicit and explicit exemptions that are already in place, there exists a considerable "opportunity cost" of foregone revenue for state and local government. The base against which the sales tax is applied in Nevada is comparatively narrow and over the years, has been further narrowed through the approval of additional exemptions. Given the high level of reliance upon sales tax to fund services at nearly every level in the State, further erosion of the tax base should be avoided unless there is a qualified, demonstrated need for the exemption. The same concerns exist for the property tax base.

A number of questions can arise regarding tax exemptions:

- Does the exemption meet the purpose for which it was originally approved?
- Does the exemption lead to more or less equity in terms of its application?
- Does the exemption hit the target it was originally designed to hit or does it have broader or narrower application than intended?
- Is the exemption widely or rarely used?
- What is the fiscal impact of the exemption?
- Do the benefits of the exemption outweigh the costs?

Perhaps the questions above can be aggregated into an all-inclusive test question:

- Does the exemption accomplish a bona fide social, economic, or political purpose?

The purpose of the discussion by the SB 253 Legislative Sub-Committee and the Technical Committee will be to more specifically describe the way in which the question above can be answered for exemptions that may be proposed in the future. The end product of the discussion will be a set of criteria and tests that can be used to evaluate future proposals. An initial set of discussion points, intended to facilitate dialogue, is attached as Attachment III.

ATTACHMENT II

NEVADA SALES TAX EXEMPTIONS PREPARED FOR SB 253 COMMITTEE

Exemptions from the tax upon tangible personal property sold at retail are summarized in Chapters 372 (state sales tax) and 374 (local school support tax). Exemptions from the city-county relief tax (basic and supplemental) and local optional taxes follow the provisions of the Local School Support Tax Act.

Generally, the following exemptions are noted in current law:

NRS 372.270 and NRS 374.275 PROCEEDS OF MINES.

The gross receipts from the sale of the mine proceeds are exempt. The gross receipts from the sale of minerals are subject to Taxes on Mines and Minerals, NRS Chapter 362.

NRS 372.275 and NRS 374.280 FUEL USED TO PROPEL MOTOR VEHICLE.

Fuels used in an internal combustion or diesel engine to propel a motor vehicle are exempt. Fuels are taxed under other provisions of the NRS Chapters 365, 366 and 373.

NRS 372.280 and NRS 374.285 ANIMALS AND PLANTS INTENDED FOR HUMAN CONSUMPTION FEED; FERTILIZER.

Animal and plant life which ordinarily constitute food for human consumption, and feeds and fertilizers associated therewith, are exempt.

NRS 372.283 and NRS 374.287 PROSTHETIC DEVICES, ORTHOTIC APPLIANCES AND CERTAIN SUPPORTS AND COSTS; APPLIANCES AND SUPPLIES RELATING TO OSTOMY; PRODUCTS FOR HEMODIALYSIS; MEDICINE.

The items noted in the title are exempt.

NRS 372.284 and NRS 374.289 FOOD FOR HUMAN CONSUMPTION.

Food for human consumption does not include alcoholic beverages, pet foods, tonics and preparations, and food intended for immediate consumption.

NRS 372.285 and NRS 374.290 MEALS AND FOOD PRODUCTS SOLD TO STUDENTS OR TEACHERS BY SCHOOL, ORGANIZATION OF STUDENTS OR PARENT-TEACHER ASSOCIATION.

The exemption applies to meals and food products served by public or private schools, school districts, student organizations and parent-teacher associations.

NRS 374.291 (not included in NRS Chapter 372) WORKS OF FINE ART FOR PUBLIC DISPLAY.

Fine art for public display that is purchased for \$25,000 or more and that will be on public display for certain minimum periods of time is exempt from the local school support tax, city-county relief tax and option taxes.

NRS 372.287 and NRS 374.292 TEXTBOOKS SOLD WITHIN UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA.

The items noted in the title are exempt.

NRS 372.290 and NRS 374.295 CONTAINERS.

Nonreturnable containers when sold without the contents to persons who place the contents in the containers for sale, containers sold with the contents (if the sales price of the contents is not subject to tax), and returnable containers are exempt.

NRS 372.295 and NRS 374.300 GAS, ELECTRICITY AND WATER.

Utility use charges are exempt.

NRS 372.300 and NRS 374.305 DOMESTIC FUELS.

Wood, coal, petroleum or gas used to produce domestic heat are exempt.

NRS 372.305 and NRS 374.310 PERSONAL PROPERTY USED FOR PERFORMANCE OF CONTRACT ON PUBLIC WORKS.

Tangible personal property used for the performance of a contract on public works executed before various dates is exempt. The most recent date prior to which a contract would have to have been entered into is May 1, 1981 (for the state, local school support, and city-county relief taxes). Option taxes may have more recent threshold dates, depending upon when the tax was enacted. As a result, certain binding contracts entered into prior to a sales tax increase are not subject to subsequent sales tax increases for the term of the contract.

NRS 372.310 and NRS 374.315 PERSONAL PROPERTY USED FOR PERFORMANCE OF CERTAIN WRITTEN CONTRACTS.

Similar to NRS 372.305 and NRS 374.310, certain contracts entered into prior to the effective dates of components of the overall sales tax received on exemption for personal property used in the performance of contracts.

NRS 372.315 and NRS 374.320 NEWSPAPERS.

Tangible personal property which becomes an ingredient or component part of any newspaper regularly issued, and any such newspaper, are exempt.

NRS 372.316 and NRS 374.321 MANUFACTURED HOMES AND MOBILE HOMES.

Forty percent of the gross receipts from the sale of new manufactured homes and new mobile homes and the gross receipts from the sale of used manufactured and used mobile homes are exempt.

**NRS 372.317 AIRCRAFT AND MAJOR COMPONENTS OF
 AIRCRAFT.**

The gross receipts from the sale of aircraft are exempt for an air carrier that maintains its central office in Nevada and bases a majority of its aircraft in Nevada. As this exemption is a part of Chapter 372, it applies only to the state sales tax rate.

NRS 374.322 AIRCRAFT, AIRCRAFT ENGINES AND COMPONENT PARTS OF AIRCRAFT.

Aircraft, aircraft engines, component parts, machinery, tools and other equipment and parts which are used exclusively in the repair and maintenance of aircraft are exempt. This exemption applies to the local school support tax, city-county relief tax and option taxes.

NRS 372.320 and NRS 374.325 OCCASIONAL SALES.

Gross receipts from occasional sales of tangible personal property are exempt.

NRS 372.325

**SALE TO UNITED STATES, STATE OR POLITICAL
SUBDIVISION.**

AND

NRS 374.330

**PERSONAL PROPERTY SOLD TO UNITED STATES,
STATE OR POLITICAL SUBDIVISION.**

Gross receipts from the sale of tangible personal property to the United States, the state of Nevada, and any city, county, district or other political subdivision of the state of Nevada are exempt.

PLEASE NOTE: Both of these statutes are effective until January 1, 1999 and after that date if the proposed amendment to the Sales and Use Tax Act is not approved by the voters at the 1998 general election. If the measure passes, the provisions will apply as described below.

**NRS 372.325 and NRS 374.330 SALE TO UNITED STATES; SALE TO OR BY STATE
OR POLITICAL SUBDIVISION.**

Similar to the previous sections, sales to the United States, State of Nevada and its political subdivisions would be exempt. Further exempted are sales by the State of Nevada and its political subdivisions, **unless the tangible personal property sold by the State or its political subdivisions is purchased for resale to the public.** These statutes are effective January 1, 1999, if the proposed amendment to the Sales and Use Tax Act is approved by the voters at the 1998 general election.

**NRS 372.326 and NRS 374.3305 PERSONAL PROPERTY SOLD BY OR TO NONPROFIT
ORGANIZATION CREATED FOR RELIGIOUS,
CHARITABLE OR EDUCATIONAL PURPOSES.**

Sales by or to a nonprofit organization created for religious, charitable, or educational purposes are exempt. NRS 372.3261 and NRS 374.3306 prescribe the requirements for organization created for religious, charitable or educational purposes, and NRS 374.3307 and NRS 372.343 define the procedure for claim of exemption by nonprofit organization created for religious, charitable or educational purposes. These authorizations must be renewed every five years.

NRS 372.327

**LOAN OR DONATION TO UNITED STATES, STATE,
POLITICAL SUBDIVISION OR RELIGIOUS OR
ELEEMOSYNARY ORGANIZATION and NRS 374.331 -
PERSONAL PROPERTY LOANED OR DONATED TO
UNITED STATES, STATE, POLITICAL SUBDIVISION
OR RELIGIOUS OR ELEEMOSYNARY
ORGANIZATION.**

Exempts property loaned or donated to the aforementioned from sales tax.

NRS 372.330 and NRS 374.335 SALES TO COMMON CARRIER.

Gross receipts from sales of tangible personal property to a common carrier, shipped to a point out of state and the property is actually transported to the out-of-state destination for use by the carrier in the conduct of its business as a common carrier are exempt.

**NRS 372.335 and NRS 374.340 PROPERTY SHIPPED OUTSIDE STATE PURSUANT TO
SALES CONTRACT.**

Gross receipts from any sale of tangible personal property which is shipped to a point outside of the state pursuant to a contract of sale are exempt.

**NRS 372.340 and NRS 374.345 PERSONAL PROPERTY SOLD TO OR USED BY
CONTRACTOR WHO IS CONSTITUENT PART OF
GOVERNMENTAL, RELIGIOUS OR CHARITABLE
ENTITY.**

If a contractor is a constituent part of a governmental religious or charitable entity, the sale or use of tangible personal property by the contractor is exempt.

**NRS 374.357 ABATEMENT FOR ELIGIBLE MACHINERY OR
EQUIPMENT USED BY CERTAIN BUSINESSES:
APPLICATION; APPROVAL; PROVISION OF
RECORDS; DURATION; CERTIFICATE OF
ELIGIBILITY; REPAYMENT FOR FAILURE TO
COMPLY WITH REQUIREMENTS; REGULATIONS.**

Certain businesses may apply to the Commission on Economic Development for an abatement from the taxes imposed by Chapter 374. If approved by the Commission, the business is eligible for an abatement from the sales tax for up to 2 years. Numerous conditions must be met by the applicant business to be eligible for the abatement. The abatement would apply to the local school support tax, city-county relief tax and option taxes.

NEVADA PROPERTY TAX EXEMPTIONS
PREPARED FOR SB 253 COMMITTEE
BY
NEVADA TAXPAYERS ASSOCIATION
NOVEMBER 1997

CONSTITUTIONAL EXEMPTIONS

The basis for all property tax exemptions is found in Article 10 of Nevada's Constitution. The following sections are specific to property tax exemptions (real and personal).

- Section 2** - Known as the **bank shares exemption**. Also includes bonds, mortgages, notes, bank deposits, book accounts and credits, and securities.
- Section 3** - Known as the **greenbelt exemption**. Agricultural lands and open space lands are separately classed for taxation purposes. If such property is converted to a higher use a retroactive assessment to the higher use is done for not less than seven years.
- Section 4** - Known as the **free port exemption**. Inventory in transit is exempt from personal property tax.
- Section 5** - **Motor vehicle exemption**. The motor vehicle privilege tax is in lieu of the personal property tax.
- Section 6** - Known as the **inventory tax exemption**. This provision allows the legislature to exempt any other personal property including livestock.
- Section 8** - Known as the **charitable tax exemption**. Exempts property used for municipal, educational, literary, scientific or other charitable purposes, or to encourage the conservation of energy or the substitution of other sources for fossil sources of energy.

STATUTORY CONDITIONS TO PROPERTY TAX EXEMPTIONS

In addition to the "conditions" noted under the heading "statutory provisions", four (4) statutory cites provide certain requirements to be followed in the granting of an exemption, or conditions which nullify the exemption. They are:

NRS 361.155 **USED IN CONJUNCTION WITH HOSPICES [361.088] VETERANS [361.098] AND VOLUNTEER FIRE DEPARTMENTS [361.150] AND PERSHING COUNTY KIDS RODEO (AB 249, 1997 SESSION) (1953 - last update 1997)**

This provision provides for the filing of claims and designations; limitation on duration and amount of claims; assessment and penalty for erroneous grant or renewal.

NRS 361.1565 **PROVIDES THAT CERTAIN EXEMPTIONS CAN BE APPLIED TO THE VEHICLE PRIVILEGE TAX (1977 - last update 1995)**

Allows widows, orphans, blind persons, veterans and surviving spouses of veterans (NRS 381.080, 361.085, 361.090, and 361.091 respectively) to apply the exemption allowed to the motor vehicle privilege tax.

NRS 361.157 ESTABLISHES CONDITIONS UNDER WHICH EXEMPT REAL ESTATE IS SUBJECT TO TAXATION (1965 - last update 1997)

This provides the conditions under which and the method by which otherwise exempt property is subject to taxation. There are 13 exceptions to this section of statute.

NRS 369.159 ESTABLISHES CONDITIONS UNDER WHICH EXEMPT PERSONAL PROPERTY IF USED IN BUSINESS CONDUCTED FOR PROFIT IS SUBJECT TO TAXATION (1965 - last update - 1997)

Note: Chapter 562, Statutes of Nevada 1993, contains the following provision not included in NRS:

"The legislature hereby finds and declares that to ensure a uniform and equal rate of assessment and taxation and the just valuation for taxation of all property, including real, personal and possessory, as required by section 1 of article 10 of the constitution of the State of Nevada, it is necessary to value the right to the use and enjoyment of property that is owned by an entity exempt from taxation but leased to or used by a person not exempt from taxation pursuant to a leasehold interest, possessory interest, beneficial interest or beneficial use in a manner that is equivalent to the valuation of the right to the use and enjoyment of the property pursuant to an ownership interest."

STATUTORY PROPERTY TAX EXEMPTIONS

NRS 361.050 UNITED STATES PROPERTY EXEMPTED (1953 - last update 1955)

NRS 361.055 ALL LANDS AND PROPERTY OWNED BY THE STATE IS EXEMPT (1953 - last update 1993)

Conditions: Payment in lieu of taxes, to the county in which the property is located, is required to be made by the wildlife division to the county tax receiver. The money is to be apportioned each year to the counties, school districts and cities where such property is located.

Notes: (1) An exception is provided for real property acquired by the State and assigned to the division of wildlife which is or was subject to taxation under the provisions of NRS 361 at the time of acquisition.

(2) There are a number of AGO's, all issued prior to 1967 which appear to impact the calculation of the in lieu of tax payment.

NRS 361.060 PROPERTY OF NEVADA RURAL HOUSING AUTHORITY, POLITICAL SUBDIVISIONS AND MUNICIPAL CORPORATIONS (1953 - last update 1995, prior update 1967)

All lands and other property owned by the Nevada rural housing authority or any county, domestic municipal corporation, irrigation, drainage or reclamation district or town.

Note: An exception is provided (NRS 539.213) for a district whose irrigated acreage is less than 50,000 acres which is used for a community pasture.

NRS 361.0605 PUBLIC USE OF PRIVATELY OWNED PARK (added 1995)

The acquisition, improvement or use of land by the public as a park is a municipal purpose, whether or not the park is owned or operated by a local government.

Conditions: An agreement is required between the owners of the private park with the local government that the park is used by the public without charge, excluding areas from which income is derived.

Note: NAC 361.080 provides the interpretation of "park" and requirement for exemption. (9/6/96).

NRS 361.061 PUBLIC USE OF PRIVATELY OWNED AIRPORT (1985 - updated 1995)

The acquisition, improvement or use of land by the public as an airport is a municipal purpose, whether or not the airport is owned or operated by a local government.

NRS 361.062 PROPERTY OF TRUSTS FOR FURTHERANCE OF PUBLIC FUNCTIONS EXEMPTED (1971, last update 1975)

All property, real and personal, of a trust created for the benefit and furtherance of any public function pursuant to the provisions of general or special law.

Notes: (1) In lieu of taxes may be paid to the beneficiary pursuant to any agreement contained within the trust document.
(2) From the 2 AGO's cited this appears to pertain to school property and excludes them from paying the costs of special assessments to a city or county or having a lien put on the school.

NRS 361.065 PROPERTY OF SCHOOL DISTRICTS (1953 - updated 1979)

NRS 361.067 VEHICLES (1963 - updated 1979)

Note: Any vehicle required to be registered is subject to paying the motor vehicle privilege tax.

NRS 361.068 BUSINESS PERSONAL PROPERTY (1979 - last update 1997)

Personal Property Exemptions:

- (a) A merchant's inventory
- (b) Property held for sale by a manufacturer
- (c) Raw materials and components held by a manufacturer for manufacture into products and supplies to be consumed in the process of manufacture
- (d) Tangible personal property consumed during the operation of the business
- (e) Livestock
- (f) Colonies of bees
- (g) Pipe and other agricultural equipment used to convey water for irrigation of legal crops
- (h) All boats (other than a seaplane)
- (i) Slide-in campers and camper shells
- (j) Computers and related equipment donated for use in schools in this state
- (k) Fine art for public display

Conditions: (j) Computers and related equipment must be donated to a Foundation that accepts the donation for use by schools in this state. There is a new section in NRS 361 which provides the qualifications. This was added in 1997 by SB 423. **Expires by Limitation June 30, 2003.**

(k) must be on public display for at least 20 hours per week during at least 35 weeks of the year for which the exemption is claimed. Must file affidavit for claim with County Assessor on or before June 15. This was added in 1997 by AB 536.

Note: (d) NAC 361.065 defines "consumed" for the purpose of claiming the exemption (7/9/96)

NRS 361.0685 ECONOMIC DEVELOPMENT (1993 - updated 1997)

Applies to businesses that processes raw material of which at least 50 percent is recycled on site; or businesses that include as a primary component an active system to utilize solar energy or a facility for the production of electrical energy from recycled material. Provides a 75% exemption on real property for a period of 20 years and on personal property for a period of 10 years.

NRS 361.069 HOUSEHOLD GOODS AND FURNITURE (1979 - last update 1989)

Note: Does not apply to a person who rents appliances or furniture or provides furniture or appliances in conjunction with the rental of an apartment in a complex containing five or more dwelling units.

NRS 361.070 DRAINAGE DITCHES, CANALS AND IRRIGATION SYSTEMS (1953 - last update 1991)

Drainage ditches and canals, together with lands included in the right of way for ditches or canals, Irrigation system of pipes or concrete linings or ditches and headgates used for irrigation and agricultural purposes on land devoted to agricultural purposes.

NRS 361.073 PROPERTY OF WATER USERS' NONPROFIT ASSOCIATIONS AND NONPROFIT COOPERATIVE CORPORATION (added 1969)

NRS 361.075 UNPATENTED MINES AND MINING CLAIMS ARE EXEMPT (1953 - last update 1955)

Note: The net proceed of minerals and mines tax (NRS 362) is levied on unpatented mines and mining claims.

NRS 361.077 REAL AND PERSONAL PROPERTY USED FOR THE CONTROL OF AIR OR WATER POLLUTION (1973 - last update 1991)

Conditions: Not allowed if the facility or device is less than \$1,000. Requires the filing of an affidavit which declares that the property meets the requirements of this NRS. Also requires the affidavit must be filed pursuant to NRS 361.155.

Notes: (1) NAC 361.046-050 define property used for control of air and water pollution (9/1/73 - last update 11/15/77).
(2) The Department of Taxation is required to publish an annual report each fiscal year showing the revenue impacts to the State and local governments.

NRS 361.078 RESIDENTIAL PROPERTY CONTAINING BOMB SHELTER (added - 1981)

Residential property to \$1,000 assessed valuation is exempt from taxation if the property is owned and occupied by a resident of this state and contains a shelter for protection against radioactive fallout.

Conditions: Requires standards for the shelter, establishes residency conditions on the person filing and requires the filing of an affidavit with the county Assessor.

NRS 361.079 QUALIFIED SYSTEMS FOR HEATING OR COOLING (1977 - last update - 1991)

Qualified systems use wind, solar, geothermal resources energy derived from conversion of solid wastes or water power. These systems are excluded from the assessed value of the building.

Note: NAC 361.052 -361.058 governs the above (4/24/84).

NRS 361.080 WIDOWS AND ORPHANS (1953 -last update - 1989)

The property of widows and orphans not to exceed \$1,000, must be allowed.

Note: This exemption is allowed under the Constitutional provision providing for "other charitable purposes" - Article 10, section 8.

NRS 361.082 QUALIFIED LOW-INCOME HOUSING PROJECTS (added - 1991)

Real property and tangible personal property are exempt if the project is funded in part by federal money for a "qualified low-income housing project".

Note: A reviser's note provides a preamble not included in statute.

"The legislature finds and declares that exempting low-income housing from taxation to enhance the affordability of shelter to economically disadvantaged persons constitutes a charitable purpose because it assists those persons in establishing themselves with life's necessities thereby lessening the burden of government."

NRS 361.083 PROPERTY USED FOR CARE OR RELIEF OF ORPHANS AND INDIGENTS (added 1991)

A hospital or other "charitable asylum" for the care or relief of orphan children or sick, infirm or indigent persons, owned by a nonprofit corporation is exempt.

NRS 361.085 PROPERTY OF BLIND PERSONS (1953 - last update 1995)

Conditions: Requires annual filing of affidavit.

Note: Not to exceed \$3,000 of assessed valuation. (Includes community property to the extent the blind person has an interest.)

NRS 361.086 PROPERTY USED FOR HOUSING ELDERLY OR HANDICAPPED PERSONS (added 1981)

Conditions: Property must be financed by a loan under the Housing Act of 1959 as amended; and the property owned or operated by a non-profit corporation registered in Nevada as a foreign or domestic corporation.

**NRS 361.087 RESIDENTIAL IMPROVEMENTS FOR PERSONS WITH DISABILITIES
(1977 - updated 1993)**

An increase must not be made to the assessed valuation of a residence for the improvements made to accommodate the resident who has disabilities.

Conditions: An affidavit filed with the county assessor setting forth the nature of the improvement and the date(s) of making it.

NRS 361.0875 COMMERCIAL IMPROVEMENTS MADE TO ACCOMMODATE PERSONS WITH DISABILITIES (1993 - Expires by limitation on June 30, 2003)

An increase must not be made to the assessed valuation of real or personal property used to accommodate the provisions of the ADA.

Conditions: The improvement must be made not earlier than July 1, 1990 and not later than April 1, 1995. An affidavit was required to be filed no later than April 1, 1995

NRS 361.090 VETERANS' EXEMPTION (1953 - last update 1995)

Allowed on property to the extent of \$1,000 assessed valuation.

Conditions: Dates of having been in service are specified. Requires the County Assessor to obtain proof of status of veteran. Provides that the filing of a false affidavit is a gross misdemeanor.

Notes: (1) Exemption given by the legislature on the basis of "other charitable purposes" language contained in Article 10, section 8 of the Nevada Constitution.

(2) The amount of exemption received by the veteran may be credited to the veteran's home account.

NRS 361.091 DISABLED VETERAN'S EXEMPTION (1973 - last update 1995)

Conditions: The amount of the exemption - up to the first \$10,000 of the assessed valuation is based on the percentage of the disability. An affidavit as required for NRS 360.090 must be filed.

Note: Under certain conditions the surviving spouse of a disabled veteran may apply for the exemption. A veteran who receives this exemption may not receive the exemption allowed in NRS 361.090.

NRS 361.095 VETERANS' ORGANIZATIONS (1953 - last update 1975)

Conditions: The property exemption cannot "exceed the sum of \$5,000 assessed valuation to any one post or organization thereof." Additionally "...when any such property is used for purposes other than those of such organization, and rent or other valuable consideration is received for its use, the property so used shall be taxed." "Where any structure or parcel of land is used partly for the purposes of such organization and partly for rental purposes, the area used for rental purposes shall be assessed separately and that portion only shall be taxed."

**NRS 361.098 CHARITABLE FOUNDATIONS ESTABLISHED BY THE BOARD OF REGENTS
(1989 - updated 1993)**

Conditions: Property must be taxed when it is used for any purpose other than carrying out the legitimate functions of the foundation.

NRS 361.099 CERTAIN PROPERTY LEASED OR RENTED TO UNCCS (1995)

Conditions: The real and personal property leased or rented to the University and Community College System of Nevada must be of a total consideration less than 10% of the fair market rental.

Note: NAC 361.070 establishes conditions for applying for exemption (7/9/96)

NRS 361.100 UNIVERSITY FRATERNITIES AND SORORITIES (1953 - last update 1991)

NRS 361.105 NONPROFIT PRIVATE SCHOOLS (1953 - updated 1955)

Note: AGO 304 (4-1-1941) ruled that real property owned by a nonprofit school in another state is not entitled to the exemption.

**NRS 361.110 NEVADA MUSEUM OF ART, INC., YOUNG MEN'S CHRISTIAN ASSOCIATION,
AMERICAN NATIONAL RED CROSS or any of its chapters in the State of Nevada,
SALVATION ARMY CORPS, GIRL SCOUTS OF AMERICA, CAMP FIRE GIRLS, INC.,
BOY SCOUTS OF AMERICA and SIERRA ARTS FOUNDATION (1953 - last update 1995)**

Conditions: If property is used for purposes other than the organization and rent or other valuable consideration is received, the property must be taxed, unless it is by another [501(c)(3)] tax exempt organization.

NRS 361.111 CERTAIN PROPERTY OF NATURE CONSERVANCY (1969 - updated 1993)

Property acquired and held for ultimate acquisition by the state or a local governmental unit are exempt from taxation.

Conditions: If the property is sold to a non governmental unit, then the taxes must be paid for each year the property was exempt.

NRS 361.115 NEVADA CHILDREN'S FOUNDATION (1953 - last update 1955)

Conditions: If property is used for any purpose other than carrying out the legitimate functions of the Foundation, the same shall be taxed.

NRS 361.125 CHURCHES AND CHAPELS (1953 - last update 1995)

Conditions: When property is used exclusively or in part for other than church purposes or rent is received the property must be taxed. If the church rents property to hold services and at the same time owns vacant property on which it plans to build a church, the vacant property is exempt for 3 years.

Note: NAC 361.125 establishes the conditions for applying for the exemption (7/9/96).

NRS 361.130 PUBLIC CEMETERIES AND GRAVEYARDS (1953 - last update 1955)

Conditions: If they are used for and open to the public and make no charge for burial.

NRS 361.132 NON PROFIT (UNDER PROVISIONS OF NRS 82) PRIVATE CEMETERIES AND PLACES OF BURIAL (added in 1991)

NRS 361.135 LODGES OF THE BENEVOLENT PROTECTIVE ORDER OF ELKS, FRATERNAL ORDER OF EAGLES, FREE AND ACCEPTED MASONS, INDEPENDENT ORDER OF ODD FELLOWS, KNIGHTS OF PYTHIAS, KNIGHTS OF COLUMBUS, LAHONTAN AUDUBON SOCIETY, THE NATIONAL AUDUBON SOCIETY, INC., OF N.Y., THE DEFENDERS OF WILDLIFE OF D.C., OR SIMILAR BENEVOLENT OR CHARITABLE SOCIETY. (1953 - last update 1991)

Conditions: The areas used for rental purposes shall be assessed separately and only that portion shall be taxed. The exemption shall not exceed the sum of \$5,000 assessed valuation to any one lodge, society or organization.

NRS 361.145 NONCOMMERCIAL THEATERS (1953 - last update 1971)

Theaters owned and operated by nonprofit educational corporations organized for the exclusive purpose of conducting theater classes and producing plays on a nonprofessional basis.

Conditions: The articles of incorporation must provide that the property will revert to the county of location, if there is a cessation of the activities.

NRS 361.150 VOLUNTEER FIRE DEPARTMENTS (1953 - last update 1973)

Conditions: If used for any function other than carrying out the legitimate functions of a fire department the tax applies.

NRS 361.153 FARM MACHINERY HELD FOR SALE (added in 1969)

NRS 361.160 "PERSONAL PROPERTY IN TRANSIT" DEFINED - AKA FREE PORT LAW (1949 last update 1991)

Note: 1) NRS 361.165 - provides for the designation of "no situs" property and the keeping of warehouse records and books, contents and inspection; NRS 361.170 - requirements for claims of exemption; NRS 361.180 - civil action for taxes evaded; and NRS 361.185 - penalty for false statement.

2) NAC 361.062 pertains to NRS 361.170

ADDITIONS TO PROPERTY TAX EXEMPTIONS APPROVED BY 1997 LEGISLATURE

AB 249 PERSHING COUNTY KIDS RODEO

Conditions: Any property rented must be taxed unless the rental is to a tax exempt organization pursuant to U.S. code 26 article 501(c)(3).

AB 476

APPRENTICESHIP PROGRAMS - EXPIRES BY LIMITATION JULY 1, 2007

Conditions: Must be owned and operated by a local or state program which is a tax exempt organization pursuant to U.S. code 26, article 501(c)(3); and is registered and approved by the state apprenticeship council pursuant to NRS 610.

AB 576

FINE ART WORK EXEMPTION

Conditions: Must have an appraised value or be purchased for \$25,000 or more; and be on display at least twenty hours per week a year.

SB 233

ECONOMIC DEVELOPMENT INCENTIVE

A new or expanding business may receive a personal property tax exemption of 50% for ten years.

Conditions: The company must pay at least 125% of the statewide average industrial wage and provide health insurance; must meet the conditions for the number of employees hired or added to payroll and capital investment; and the abatement must be approved by the governing body of the affected jurisdiction. The company then must apply to the Commission on Economic Development for certification.

SB 256

THE PRODUCTION OF ELECTRICAL ENERGY FOR SOLAR ENERGY

Personal property may not be exempted for more than 10 consecutive years and real property may not be exempted for more than 20 years.

Note: This exemption does not apply to residential facilities or property used as a facility before July 1, 1997.

SB 423

COMPUTERS FOR SCHOOLS

Conditions: Computers and related equipment must be donated to a non-profit organization that accepts property for use of schools in this State.

PROPERTY TAX ASSISTANCE PROGRAMS

NRS 361.797

ALLOWANCE FOR PRESERVATION OF CERTAIN RAILROAD LINES (added 1979)

Taxes are paid on property on certain railroad lines while service is discontinued if it falls under the State program established in NRS 702.423 for the physical preservation of such lines and the owner of the property is admitted to the program by the Department of Transportation. Acclaim is allowed to the owner which is paid by the County. The County is then reimbursed by the Department of Transportation.

NRS 361.800

SENIOR CITIZEN'S PROPERTY TAX RELIEF ACT (added 1973-75, last update 1997 to NRS 877 effective 7/1/99)

Provides an allowance against property taxes due to a senior citizens which cannot exceed \$500. The percentage of relief ranges from 90% down to 10% depending on income. The income criteria will change effective July 1, 1999 based on legislation passed this session. Seniors who rent are also eligible for this exemption. Eight percent of the rent they paid is deemed to be property tax for the purposes of computing the allowance. The State pays for this program.

Notes: 1) The renters rebate is provided to all seniors who qualify based on income, even though they are residing in public housing (no property taxes are paid on public housing).

2) NAC 361.866 through 361.876 governs the above (11/15/87).

FLOOR ACTIONS

AMENDMENTS ON SECOND READING FLOOR VOTES AND STATEMENTS OTHER ACTIONS

NOTE: THESE FLOOR ACTIONS ARE TAKEN FROM THE *DAILY JOURNALS* ([HTTP://WWW.LEG.STATE.NV.US/SESSION/74TH2007/JOURNAL/](http://www.leg.state.nv.us/session/74th2007/journal/)), WHICH ARE NOT THE OFFICIAL FINALIZED VERSIONS OF THE *JOURNALS*. CONSULT THE PRINT VERSION FOR THE OFFICIAL RECORD.

NEVADA LEGISLATURE

Seventy-Fourth Session, 2007

ASSEMBLY DAILY JOURNAL

THE THIRTY-SEVENTH DAY

CARSON CITY (Tuesday), March 13, 2007

Assembly called to order at 11:04 a.m.

Madam Speaker presiding.

Roll called.

All present except Assemblyman Carpenter, who was excused.

Prayer by the Chaplain, Pastor Patrick Propster.

Matthew 7:7-8: "Ask, and it will be given to you; seek and you will find; knock and it will be opened to you. For everyone who asks receives, and he who seeks, finds; and to him who knocks it will be opened." Lord God, Creator of all things, Jesus said to ask, seek, and knock. We do so this day, that You, Lord, would grant us insight and enlightenment. We pray all decisions and directions made in this session would bless this state and glorify Your name.

AMEN.

Pledge of allegiance to the Flag.

Assemblyman Ocegüera moved that further reading of the Journal be dispensed with, and the Speaker and Chief Clerk be authorized to make the necessary corrections and additions.

Motion carried.

REPORTS OF COMMITTEES

Madam Speaker:

Your Concurrent Committee on Education, to which was referred Assembly Bill No. 157, has had the same under consideration, and begs leave to report the same back with the recommendation: Do pass.

BONNIE PARNELL, *Chair*

Madam Speaker:

Your Committee on Government Affairs, to which were referred Assembly Bills Nos. 135, 162, has had the same under consideration, and begs leave to report the same back with the recommendation: Do pass.

MARILYN K. KIRKPATRICK, *Chair*

Senate Bill No. 122.

Assemblyman Ocegüera moved that the bill be referred to the Committee on Elections, Procedures, Ethics, and Constitutional Amendments.

Motion carried.

Senate Bill No. 162.

Assemblyman Ocegüera moved that the bill be referred to the Committee on Government Affairs.

Motion carried.

Senate Bill No. 168.

Assemblyman Ocegüera moved that the bill be referred to the Committee on Judiciary.

Motion carried.

Senate Bill No. 177.

Assemblyman Ocegüera moved that the bill be referred to the Committee on Judiciary.

Motion carried.

Senate Bill No. 196.

Assemblyman Ocegüera moved that the bill be referred to the Committee on Government Affairs.

Motion carried.

SECOND READING AND AMENDMENT

Assembly Bill No. 137.

Bill read second time and ordered to third reading.

GENERAL FILE AND THIRD READING

Assembly Joint Resolution No. 10 of the 73rd Session.

Resolution read third time.

Remarks by Assemblyman Mortenson.

Roll call on Assembly Joint Resolution No. 10 of the 72nd Session:

YEAS—41.

NAYS—None.

EXCUSED—Carpenter.

Assembly Joint Resolution No. 10 of the 73rd Session having received a constitutional majority, Madam Speaker declared it passed.

Resolution ordered transmitted to the Senate.

Assembly Joint Resolution No. 16 of the 73rd Session.

Resolution read third time.

Remarks by Assemblyman Mortenson.

Roll call on Assembly Joint Resolution No. 16 of the 73rd Session:

YEAS—41.

NAYS—None.

EXCUSED—Carpenter.

Assembly Joint Resolution No. 16 of the 72nd Session having received a constitutional majority, Madam Speaker declared it passed.

Resolution ordered transmitted to the Senate.

MOTIONS, RESOLUTIONS AND NOTICES

NOTICE OF EXEMPTION

March 12, 2007

The Fiscal Analysis Division, pursuant to Joint Standing Rule 14.6, has determined the exemption of: Assembly Bills Nos. 126, 131, 151, 156, 166, 167 and 196.

Also, The Fiscal Analysis Division, pursuant to Joint Standing Rule 14.6, has determined the exemption of: Assembly Bills Nos. 189, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206 and 213.

MARK STEVENS

Fiscal Analysis Division

March 12, 2007

The Fiscal Analysis Division, pursuant to Joint Standing Rule 14.6, has determined the eligibility for exemption of: Assembly Bills Nos. 99, 104, 105, 108, 115, 116, 128, 130, 132, 141, 142, 149, 150, 157, 161, 162, 164, 168, 169, 172, 182, 183, 187, 190, 207, 208, 210, 211 and 212.

MARK STEVENS

Fiscal Analysis Division

UNFINISHED BUSINESS

SIGNING OF BILLS AND RESOLUTIONS

There being no objections, the Speaker and Chief Clerk signed Assembly Concurrent Resolution No. 10.

GUESTS EXTENDED PRIVILEGE OF ASSEMBLY FLOOR

On request of Assemblywoman Allen, the privilege of the floor of the Assembly Chamber for this day was extended to Judy Reich.

On request of Assemblyman Anderson, the privilege of the floor of the Assembly Chamber for this day was extended to Andrea Sharp.

On request of Assemblyman Christensen, the privilege of the floor of the Assembly Chamber for this day was extended to Helga Brown and Leslie Studer.

On request of Assemblyman Cobb, the privilege of the floor of the Assembly Chamber for this day was extended to Will Abaeraczinskas.

THE ONE HUNDRED AND TENTH DAY

CARSON CITY (Friday), May 25, 2007

Senate called to order at 11:54 a.m.

President Krolicki presiding.

Roll called.

All present.

Prayer by the Chaplain, Reverend Bruce Kochsmeier.

Eternal God,

Gratefully we come to You this morning acknowledging Your faithfulness. You awakened us again, today, with Your call to life; to service; to be used to bring care and compassion to Your people. Thank You for this opportunity.

Lord, there is so much for these, Your servants, to do today, more than for which they have time. Grant them peace and discernment as they navigate through bills and legislation today. Give them endurance and patience and the reminder of Your Holy Spirit that Your peace is available for the asking. Keep them mindful of Your presence in every moment.

As we prepare for a weekend in which we remember the sacrifice of those who have given the last full measure of devotion to secure our freedom, give us the same spirit of selflessness as those who put themselves in harm's way for this State and Nation.

Lord, the State of Nevada and its Capital, Carson City, said goodbye to a hero this week in the person of Fire Chief Les Groth. We pray Your comforting touch upon his family and thank You for the many ways You made this a better place through his service.

We ask now that You would continue this kind of service through all that we seek to accomplish here, today. May it be Your will we seek and to Your glory that we work. Gratefully, we pray.

AMEN.

Pledge of Allegiance to the Flag.

Senator Raggio moved that further reading of the Journal be dispensed with, and the President and Secretary be authorized to make the necessary corrections and additions.

Motion carried.

REPORTS OF COMMITTEES

Mr. President:

Your Committee on Finance, to which were referred Senate Bills Nos. 250, 572; Assembly Bill No. 608, has had the same under consideration, and begs leave to report the same back with the recommendation: Do pass.

WILLIAM J. RAGGIO, *Chair*

Mr. President:

Your Committee on Government Affairs, to which was referred Assembly Bill No. 513, has had the same under consideration, and begs leave to report the same back with the recommendation: Amend, and do pass as amended.

Your Committee on Government Affairs, to which was rereferred Assembly Bill No. 462, has had the same under consideration, and begs leave to report the same back with the recommendation: Amend, and do pass as amended.

WARREN B. HARDY II, *Chair*

Assembly Joint Resolution No. 9.

Resolution read third time.

Roll call on Assembly Joint Resolution No. 9:

YEAS—21.

NAYS—None.

Assembly Joint Resolution No. 9 having received a constitutional majority, Mr. President declared it passed, as amended.

Resolution ordered transmitted to the Assembly.

Assembly Joint Resolution No. 10.

Resolution read third time.

Remarks by Senator Carlton.

Senator Carlton moved that Assembly Joint Resolution No. 10 be taken from the General File and place on the General File on the last agenda.

Motion carried.

Assembly Joint Resolution No. 16 of the 73rd Session.

Resolution read third time.

Roll call on Assembly Joint Resolution No. 16 of the 73rd Session:

YEAS—21.

NAYS—None.

Assembly Joint Resolution No. 16 of the 73rd Session having received a constitutional majority, Mr. President declared it passed.

Resolution ordered transmitted to the Assembly.

UNFINISHED BUSINESS

CONSIDERATION OF ASSEMBLY AMENDMENTS

Senate Bill No. 3.

The following Assembly amendment was read:

Amendment No. 918.

"SUMMARY—Revises various provisions relating to the death benefits payable to surviving spouses of certain police officers and firefighters. (BDR 53-244)"

"AN ACT relating to public employees; allowing the surviving spouse of ~~a~~ certain deceased police ~~officer or firefighter who was killed in the line of duty~~ officers and firefighters to continue to receive death benefits under industrial insurance after the surviving spouse remarries; and providing other matters properly relating thereto."

Legislative Counsel's Digest:

Under existing law, if the death of an employee is caused by an injury by accident arising out of and in the course of employment covered by state laws on industrial insurance, the surviving spouse of the deceased employee may receive a compensation known as a death benefit. (NRS 616C.505) The death benefit presently ends upon the surviving spouse's death or remarriage. (NRS 616C.505) This bill allows the surviving spouse of a deceased police officer or firefighter who ~~was killed in the line of duty~~ died while actively

BILLS AND AMENDMENTS

SEE LINKS ON BILL HISTORY PAGE
FOR COMPLETE TEXT

SUPPLEMENTAL MATERIALS

State of Nevada

Statewide

Ballot Questions

2008



**To Appear on the November 4, 2008
General Election Ballot**

Issued by
Ross Miller
Secretary of State

QUESTION NO. 3

Amendment to the *Nevada Constitution*

Assembly Joint Resolution No. 16 of the 73rd Session

CONDENSATION (Ballot Question)

Shall the *Nevada Constitution* be amended to require that, before it can enact an exemption from property tax or from sales and use tax, the Nevada Legislature must: (1) make certain findings regarding the social or economic purpose and benefits of the exemption; (2) ensure that similar classes of taxpayers must meet similar requirements for claiming exemptions; and (3) provide a specific date on which the exemption will expire?

518,733

Yes ☒

No ☐

344,017

EXPLANATION

The proposed amendment to the *Nevada Constitution* would require the Nevada Legislature, before enacting an exemption from State and local government property tax or from sales and use tax, to find that: (1) the exemption will achieve a bona fide social or economic purpose; (2) the exemption's benefits are expected to exceed any adverse effect on the provision of services to the public by the State or a local government; and (3) the exemption will not impair the State or a local government's ability to make payments on outstanding bonds or other obligations for which revenue from the property tax or sales and use tax was pledged. The Legislature must also ensure that the requirements for claiming the exemption are as similar as practicable for similar classes of taxpayers and must establish a specific expiration date for the exemption.

Currently, there is no constitutional or statutory language establishing specific provisions the Legislature must consider when granting an exemption from property tax or sales and use tax, nor is the Legislature required to include a specific expiration date for an exemption.

A "Yes" vote would amend the *Nevada Constitution* to require the Nevada Legislature, before enacting an exemption from the property tax or sales and use tax, to determine that the exemption will achieve a genuine social or economic purpose, the exemption's benefits are expected to exceed its costs, the requirements for claiming the exemption will treat similarly situated taxpayers in a similar fashion, and the exemption will expire on a specific date.

A "No" vote would retain the current constitutional language which does not require the Legislature to make these findings or establish an expiration date before enacting an exemption from the property tax or sales and use tax.

ARGUMENTS FOR PASSAGE

Exemptions granted by the Nevada Legislature are generally designed to provide a benefit to a particular group of taxpayers while potentially reducing the revenue received by the State or local governments. At present, the Legislature is not constitutionally required to make a formal finding or to undertake any particular deliberative process regarding the purpose, costs, and benefits of granting an exemption from the property tax or sales and use tax. This amendment to the *Nevada Constitution* will require the Legislature to determine that a proposed exemption from the property tax or sales and use tax will achieve a bona fide social or economic purpose, and that the expected benefits from the exemption will exceed any adverse effects on the provision of government services due to the potential reduction in State or local government revenue from the exemption.

This proposed amendment also requires the Legislature to establish an expiration or “sunset” date on which an exemption will cease to be effective. Under current law, the Legislature is not required to establish an exemption sunset date. Requiring the Legislature to formally consider an appropriate period for which the exemption should provide a taxpayer benefit or for which the State or local governments must give up the exempted tax revenues will help ensure that exemptions do not outlive their usefulness or reduce revenues unnecessarily. Sunset dates for exemptions will require the Legislature to periodically review exemptions that have been enacted to determine whether the original social or economic purpose is still served and the benefits will continue to exceed the costs from maintaining the original exemption.

ARGUMENTS AGAINST PASSAGE

Constitutional language should not be added simply to place requirements on the Nevada Legislature with regard to approving exemptions from property taxes or sales and use taxes. This proposed amendment assumes that the Legislature does not consider whether a proposed property or sales and use tax exemption provides a bona fide social or economic purpose or whether the benefits of the exemption will exceed its costs. As part of the legislative process, the Legislature considers testimony and other information provided to it by proponents and opponents of the proposed exemption to help address these questions.

The proposed amendment does not establish standards for determining whether an exemption achieves a bona fide social or economic purpose, nor does it establish standards for determining whether the benefits of an exemption exceed the costs. The Legislature can establish its own standards and guidelines for implementing the provisions of this amendment. Thus, adding these provisions to the *Nevada Constitution* may have no effect on the Legislature with regard to enacting property tax or sales and use tax exemptions.

The provisions of the amendment requiring the Legislature to set a date on which an exemption expires do not establish a specific time period, nor do they establish standards for the Legislature to follow when considering the effective period for an exemption. This amendment does not prohibit the Legislature from allowing an exemption to be effective for a very long period of time. Additionally, current constitutional and statutory language does not prohibit the Legislature from establishing an expiration date for an exemption. In fact, prior Legislatures have established sunset dates when enacting property tax or sales and use tax exemptions.

FISCAL NOTE

Financial Impact – Cannot Be Determined

If this proposal to amend the *Nevada Constitution* is approved by voters, the Legislature would be required to establish certain findings before enacting exemptions from the property tax and sales and use tax, which may impact the number or types of exemptions enacted by the Legislature. However, it cannot be determined with any degree of certainty whether the provisions of this proposed constitutional amendment would cause the Legislature to reduce the number or type of exemptions enacted relative to those enacted under the current framework for granting exemptions from the property tax and sales and use tax.

Given that the number or type of exemptions that may or may not be enacted based on the requirements established in this proposed constitutional amendment cannot be determined, the financial impact on the State or local governments due to the potential loss of revenue attributed to exemptions from property tax and sales and use tax cannot be estimated. Additionally, the potential financial impact on certain taxpayers or classes of taxpayers cannot be determined.

AJR 16 –73rd Session

FULL TEXT OF MEASURE

Assembly Joint Resolution No. 16–Committee on Elections,
Procedures, Ethics, and Constitutional Amendments

FILE NUMBER.....

ASSEMBLY JOINT RESOLUTION—Proposing to amend the Nevada Constitution to provide requirements for the enactment of property and sales tax exemptions.

RESOLVED BY THE ASSEMBLY AND SENATE OF THE STATE OF NEVADA,
JOINTLY, That a new section, designated Section 6, be added to Article 10 of the Nevada Constitution to read as follows:

Sec. 6. 1. The Legislature shall not enact an exemption from any ad valorem tax on property or excise tax on the sale, storage, use or consumption of tangible personal property sold at retail unless the Legislature finds that the exemption:

(a) Will achieve a bona fide social or economic purpose and the benefits of the exemption are expected to exceed any adverse effect of the exemption on the provision of services to the public by the State or a local government that would otherwise receive revenue from the tax from which the exemption would be granted; and

(b) Will not impair adversely the ability of the State or a local government to pay, when due, all interest and principal on any outstanding bonds or any other obligations for which revenue from the tax from which the exemption would be granted was pledged.

2. In enacting an exemption from any ad valorem tax on property or excise tax on the sale, storage, use or consumption of tangible personal property sold at retail, the Legislature shall:

(a) Ensure that the requirements for claiming the exemption are as similar as practicable for similar classes of taxpayers; and

(b) Provide a specific date on which the exemption will cease to be effective.