

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

**Eighty-second Session
April 4, 2023**

The Senate Committee on Revenue and Economic Development was called to order by Chair Dina Neal at 1:09 p.m. on Tuesday, April 4, 2023, in Room 2149 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Dina Neal, Chair
Senator Fabian Doñate, Vice Chair
Senator Pat Spearman
Senator Heidi Seevers Gansert
Senator Carrie A. Buck

STAFF MEMBERS PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst
Christian Thauer, Deputy Fiscal Analyst
Janet Stokes, Committee Secretary

OTHERS PRESENT:

Matt Morris, Educate Nevada Now, The Rogers Foundation
Shellie Hughes, Executive Director, Nevada Department of Taxation
Amanda Morgan, Executive Director, Educate Nevada Now, The Rogers Foundation
Will Pregman, Battle Born Progress
Carter Bundy, American Federation of State, County and Municipal Employees
Sarah Adler
Bryan Wachter, Retail Association of Nevada
Randy Robison, City of Las Vegas
Wiz Rouzard, Deputy State Director, Americans for Prosperity, Nevada
Katrin Ivanoff

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CHAIR NEAL:

We will begin the work session on three bills starting with Senate Bill (S.B.) 29.

SENATE BILL 29: Revises provisions related to refunds of overpayments of taxes. (BDR 32-216)

CHRISTIAN THAUER (Deputy Fiscal Analyst):

Senate Bill 29 heard by the Committee on February 23 is summarized on the work session document ([Exhibit C](#)). There are no amendments on this bill.

SENATOR DOÑATE MOVED TO DO PASS S.B. 29.

SENATOR SPEARMAN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR NEAL:

Next on the work session is Senate Bill 144. I have some questions on the amendment in the work session document ([Exhibit D](#)) for Educate Nevada Now.

SENATE BILL 144: Establishes a credit against certain taxes for a taxpayer who donates money to a career and technical program tax credit organization that makes grants to programs of career and technical education. (BDR 34-866)

On the proposed amendment, could you explain the green language in the amendment because it seems to read as if the Department of Taxation would no longer be able to audit the entities?

MATT MORRIS (Educate Nevada Now, The Rogers Foundation):

We met with the Department of Taxation after the hearing. The Department had a concern that the language, as drafted, required the Department to conduct audits, and the amendment is intended to make it permissive. The Department has existing audit authority under *Nevada Revised Statutes* (NRS) 360; it can audit any business incorporated in Nevada. The career and technical program (CTP) tax credit organization will have to be an Internal Revenue Code 501(c)(3) nonprofit corporation incorporated in this State. The Department

already has the authority to audit, but we wanted to make it permissive and not an affirmative requirement. That was at the request of the Department of Taxation.

CHAIR NEAL:

Director Hughes, did you want to have a permissive audit rather than a mandatory audit because you feel the authority rolls over?

SHELLIE HUGHES (Executive Director, Nevada Department of Taxation):

Yes. The Department does have general audit authority in statute.

CHAIR NEAL:

The purple language strikeout where it says, "Any provision of an agreement between an entity and the Department of Taxation which conflicts with this section is void." Can you explain the language?

Ms. HUGHES:

Yes. The Department understands we have the ability to terminate the entity if it violates any provision of this section. However, we do have audit authority under other provisions that allows us to audit this organization if we need to. The Department does not want it to be mandatory.

CHAIR NEAL:

All right. I am satisfied with that.

SENATOR SEEVERS GANSERT:

This is about judicial review and administrative process. I have not seen this before in a bill like this. Why is this before us today?

MR. MORRIS:

We want to clarify that if the Department audits the CTP tax credit organization and finds any impropriety or the Department is going to terminate the selection, it is not interpreted as a final action under NRS 233B for purposes of judicial review. That chapter is meant to allow for challenges of regulations and administrative rulemaking. It is not the intent of the bill to have the selection of a CTP tax credit organization fall under NRS 233B.

SENATOR SEEVERS GANSERT:

If the Department terminates you, most contracts in the State receive a 30-day notice, but I do not remember if we have judicial review. Senator Neal may be familiar with that. It is a contract, right? What is the normal process for a contract which is terminated by the State? There is a 30-day notice, but I am not sure if there is judicial review.

CHAIR NEAL:

I will have Director Hughes speak to that. I have seen it on prior bills, but we need clarification.

Ms. HUGHES:

Typically, we do have a 30-day notice for judicial review. Can you please clarify your question?

SENATOR SEEVERS GANSERT:

When you terminate a contract, is it typical for it to go into a judicial review process or if someone disputes that their contract should not be terminated for cause? Are we assuming this is always for cause?

Ms. HUGHES:

Yes, it would be for cause. If there is not a dispute within 30 days, it becomes a final decision for the Department. Then the appeal rights no longer exist, but within those 30 days, if there is an appeal, then it is not a final decision and could be subject to judicial review.

SENATOR SEEVERS GANSERT:

That is the normal process anyway. If there is a dispute, then it would go to judicial review.

Ms. HUGHES:

Yes, through Department of Taxation decisions, which is typically how it is managed.

SENATOR SEEVERS GANSERT:

Is this different because you have the audit piece in there now?

Ms. HUGHES:

This is typically out of our wheelhouse. We have never had an issue where we approve an organization and then also apply the tax credits. That is why I contacted the sponsors of this bill to talk this through because this was something different for us. Does that answer your question?

SENATOR SEEVERS GANSERT:

Yes.

MR. THAUER:

Senate Bill 144 heard by the Committee on March 7 is summarized on the work session document, [Exhibit D](#).

SENATOR DOÑATE MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 144.

SENATOR SPEARMAN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR NEAL:

We will begin the work session on S.B. 181. The Committee received three letters ([Exhibit E](#)) in support of S.B. 181.

SENATE BILL 181: Revises provisions relating to economic development.
(BDR 18-683)

MR. THAUER:

Senate Bill 181 heard by the Committee on March 14 is summarized on the work session document ([Exhibit F](#)). There are no amendments to this bill.

SENATOR SEEVERS GANSERT MOVED TO DO PASS S.B. 181.

SENATOR DOÑATE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR NEAL:

That ends our work session. We will open the hearing for Senate Bill 396. I will turn the gavel over to Vice Chair Doñate.

SENATE BILL 396: Imposes a tax on the retail sale of certain digital products.
(BDR 32-6)

SENATOR DINA NEAL (Senatorial District No. 4):

On this video, I want to share with you where we have been. I have some additional props that Mr. Nakamoto has helped me with. We have an eight-track tape of KC and the Sunshine Band. This presentation ([Exhibit G](#) contains copyrighted material. Original is available upon request at the Research Library.) on modernizing the sales tax on digital goods is about the erosion of durable goods and tangible goods and our sales tax base. We moved a long time ago in different directions. I have a second eight-track from the Village People. I have a compact disc (CD) from Marky Mark and The Funky Bunch, if you remember that from way back. Then, we have a cassette from Wham.

Everybody remembers when you used to purchase cassettes. Mr. Nakamoto helped to find a 45 rpm record, which is The Gap Band, You Dropped a Bomb on Me, and then he gave me Funkytown, another 45. You folks all remember that? And then he found one of my favorites when I was growing up, the Bee Gees, which is a full album. Along with the album you would get a large photo, potentially a poster that came with the album. Then, we have an album of Lionel Richie.

I am here presenting S.B. 396 because our economy has moved, is changed, has shifted, and we are no longer buying these items. We are getting our music, books, movies and games in a different format. They are all coming digitally, but our tax code has not caught up with how we tax those goods. Senate Bill 396 makes up the difference between the fact that these goods used to be tangible, and they changed form. Because they changed form and our statute did not change form, S.B. 396 would allow us to capture those goods and bring them back into our sales tax base that has been eroding over at least 30 years.

When you see some of the memorabilia that was presented, we know that eight-track tapes were around in the early 1970s. I remember distinctly my dad having a Lou Rawls eight-track and a Cadillac, and none of us could touch the radio. As we moved to cassettes, we all had our Walkman with the foam

headphones because earbuds were not even a thing. If you lost your headphones or the wire stopped working, then you were unable to listen to your music.

I also want to mention, since you saw the slide for Tower Records, there were also business models that went away because we changed how we bought goods. We no longer go to Hollywood Video or Blockbuster Video to get our videotapes or discs. We do not go to Tower Records at all because the economy has shifted.

Senate Bill 396 is a bill near and dear to my heart. I have brought this more than once because I keep trying to move the State to think about what has happened to our sales tax, how it has changed and how it has eroded. We need to bring the intangible goods that have replaced the tangible goods that used to be sold to citizens in Nevada. We have tables from Mr. Nakamoto that lay out information on the digital goods. I will have him review the tables.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst):

A set of tables ([Exhibit H](#)) and charts ([Exhibit I](#)) were prepared at the request of Senator Neal for the purpose of presenting S.B. 396. These tables and charts were done for the hearing on this bill last Session and we have updated them. I will go through the tables first.

Table 1 in [Exhibit H](#), goes through the personal consumption expenditures at the U.S. level. This is a statistic that is recorded by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce. We have this information from 2015 to 2022. The table shows information about cable, satellite and other live television services as well as audio and video streaming and rentals. We use estimates of population for the U.S. and Nevada to approximate what that means in terms of the consumption patterns for Nevada.

If you look at Table 1C on the first page, you will see that in calendar year 2022 we estimate approximately \$928 million was spent by Nevada residents on cable satellite and other live television services. Audio and video streaming and rentals were approximately \$544 million. In Table 1F, we show per capita values, and we apply that to the Nevada population estimate proceeds from a 2 percent tax on personal consumption expenditures. For the video and audio streaming and rental, which is relevant to the bill that you are hearing today, it would be approximately \$10.9 million in Table 1D.

On Table 2 in [Exhibit H](#), there is a similar set of information showing Statewide taxable sales under the current sales and use tax as well as estimates for digital products. The Fiscal Analysis Division can receive some information on taxpayers for the commerce tax because while these entities are not necessarily subject to the sales and use tax for their products under current law, they are subject to the commerce tax to the extent the business has at least \$4 million in Nevada gross revenue.

We look at some individual taxpayers and what they are reporting as the Nevada gross revenue, especially those businesses that are in the field of providing a digital good or service that would be covered by the bill. For the ones that we could not identify—some of the streaming services that we could not easily pick out—we made some assumptions based on subscribers and the subscription costs. We estimated a taxable sales base for fiscal year (FY) 2022-2023 of approximately \$586 million. Then we applied the rates as they would be in this bill to the General Fund impact in Table 2C, [Exhibit H](#). The commissions that would apply as the structure of this legislation would be like our current sales tax of approximately \$12.2 million for the State General Fund in FY 2022-2023.

Table 3, [Exhibit H](#), shows a comparison of what those taxable sales from digital products would be in comparison to some of the other North American Industry Classification System categories to which the sales and use tax currently applies. In FY 2021-2022, the estimated base for digital products of \$568 million would rank at twenty-seventh in total categories, just below miscellaneous manufacturing and above fabricated metal product manufacturing. In terms of the scale of the sales and use tax, the total on the second page of Table 3 is the total taxable sales with digital products, which would increase by the \$586 million from the current basis, approximately \$81.8 billion. It is a small piece of the puzzle but would be something that would add to the base.

At Senator Neal's request, there are also a series of charts put together by the Fiscal Analysis Division, [Exhibit I](#), that show the trends of these products as a comparison between the durable products and their digital counterparts. Chart 1 shows the movement of those between 2000 and 2022. This is the data we received at the federal level from the BEA. The green line is showing the digital audio and video streaming and rental where you can see the significant growth after 2015 when those lines cross. The durable version of

those physical copies Senator Neal showed as part of her presentation has declined with a small comeback here in the last couple of years but not to the extent that you would see in the green line for the audio or for the streaming components.

Chart 2 shows services, specifically cable satellite and other live television, as the dashed blue line at the top. At the bottom, a solid blue line represents durable goods—video discs, tapes, permanent downloads and so on—compared to the streaming services, video streaming and rental. You can see stabilization or a bit of stagnation in terms of over-the-air broadcast, cable and satellite, as well as the durable goods compared to the streaming services which have had a market increase over the last decade.

Finally, in Chart 3, the blue line shows specifically the durable goods relating to audio—records and CDs—which have been steadily decreasing since about 2002 compared to the streaming and radio services including satellite radio from when the BEA started tracking this back in 2007. You can see the increase on all these charts where those lines cross around the 2014- or 2015-time frame. If there are any questions about the tables or charts, I would be glad to answer.

SENATOR NEAL:

I will do an overview of S.B. 396. The bill is lengthy but there are some sections repeated under a different chapter. Language in sections 1 through 9 lays out definitions about digital audio works, what is electronically transferred, and what is the end user. Section 10 gets into the way the excise tax will be built on gross receipts. Further down, it lays out what gross receipts are not included, section 10, subsection 3. Section 12 defines occasional sale and the reason we have occasional sale in the bill. If you remember when we passed the marketplace facilitator bill, A.B. No. 445 of the 80th Session, we tried to mimic language that said if you have an occasional sale under \$200, then you would not be captured by this bill. This eliminates the smaller sellers that sell minimal items online or within a digital format.

Section 13 has the definition of “other digital products,” such as greeting cards, video, electronic games and prewritten computer software. In section 13, subsection 2, it lists what it does not include, and that is important because we worked this bill for years to make sure that it did not include certain things such as the cloud, network or other digital storage mediums.

Sections 14 and 15 define purchase and retail sale, and section 16 identifies a retailer. Section 17 is about ringtones. Section 18 identifies a sale and section 19, sales price.

I want to highlight section 21 because it explains “specified digital products” and what that means when we talk about digital audio works, audiovisual works, books, codes and other digital products. However, it is clear that the term does not include satellite service or video service. I know you saw data in the charts that showed satellite and cable, and there would be a different trajectory around the sales tax that would be increased. The exclusion of that mainly was because it was hard to get consensus. In addition, I wanted to move the policy forward.

This bill is not really about money, even though it generates money. It is about policy, modernizing our sales tax statute and moving the State forward. Goods that used to be part of our sales tax base are brought back into our sales tax base by having the law define and attach to digital products, which are the intangible objects that are not defined in our statute.

The bill talks about subscription services. Sections 25, 26 and 27 describe the conduct of a seller in Nevada. Section 29 talks about the proper administration of this chapter to prevent evasion of tax. Sections 32 and 33 discuss resale certificates, the excise tax and how it is imposed upon digital products. Sections 36, 38 and 39 are the tax administrative provisions continuing to discuss resale exempt use and so forth. The bill then continues to recite language that applies to NRS 372, NRS 374 outside of NRS 360 and NRS 360B. With that, I will take questions from the Committee.

VICE CHAIR DOÑATE:

This is a good bill from my personal perspective. It is nice to see an eight-track. To be fair, I come from the generation that grew up with CDs, then we went to LimeWire and now we have iPod Touches and so forth. It is interesting to see the transition. We talked about the transition to the metaverse, and that is all going to play out into what this bill proposal includes. There have been states throughout the Country that have already enacted similar legislation. They have exemptions for one or the other. In your research, what has been the transition you have seen in the last five years throughout the Country of how this trend has played out?

SENATOR NEAL:

It started off as a slow progression and then a lot of states got on board. There are currently 25 states, and many of them have adopted the Streamlined Sales and Use Tax Agreement (SSUTA) language—the digital audio works, digital audiovisual works, books, codes and other digital products. These fall in line with the SSUTA, of which we are a member state, and it verifies that we are mimicking a lot of the language.

Maryland is a nonmember state that followed SSUTA to a point, then the state tried to tax digital advertising and was sued. Arizona also tried some form of digital tax, but it was sued because the tax code did not allow the adjustment because it fell out of the established legal framework. Those are the only two states that have run into issues in terms of digital goods. Most of the states that followed SSUTA guidelines have been safe in regard to the digital goods excise tax that they have imposed.

VICE CHAIR DOÑATE:

We started this presentation in terms of the transition of music from what we had in the past to virtually. Nationally, there are conversations as to how Spotify and Apple Music play out. The bill would cover them as part of the subscription service, correct?

SENATOR NEAL:

That is correct.

VICE CHAIR DOÑATE:

Non-fungible tokens (NFT) are also a conversation and add-ons on video games, which are popular in terms of the add-ons to Fortnite, etc. So that would be something that will now be covered based on this bill.

SENATOR NEAL:

Yes, NFTs and those add-ons that are part of a download. To add more context, if you have a PlayStation 5, I believe you do not have to buy the console; there is a digital version of the actual game console, correct? I am asking you, Senator Doñate, because you are the youngest on the Committee. My son was able to purchase and download the digital code rather than purchase the physical console and all the games. My bookshelves are still full of games for PlayStation 1, 2, 3 and some 4. Game makers started developing the digital

codes around then. Any add-ons or tokens you purchase within the game to either get more weapons or other items, this would encapsulate that, too.

SENATOR SPEARMAN:

It is a good bill, and I want to frame it within the year 2000. There was this company that started in 1998, a small company called Netflix. They went to Blockbuster and told Blockbuster, buy us and we will run your digital stuff. Blockbuster laughed at them and said, no way. Then, ten years later, Blockbuster was filing for bankruptcy and Netflix survived, but Blockbuster did not. So this is how I am framing it. In the bill, there is always the unknown because the industry is evolving. Did I miss the way for the tax to catch up even if it is not anticipated right now?

SENATOR NEAL:

Yes, there is a catchall of other digital products.

SENATOR SPEARMAN:

Everybody used to think that Circuit City went out of business, but it went online instead. Many businesses are doing everything in an online warehouse or what have you. So the web is like an electronic warehouse, yes?

SENATOR NEAL:

Yes, e-commerce is alive and well. We have dealt with the issue of an online warehouse versus the brick-and-mortar store with A.B. No. 445 of the 80th Session.

SENATOR SPEARMAN:

Trying to anticipate how these technologies are merging or not, if the day would come where what we have passed and this passes as well, is there a way to automatically merge the two? Ten years from now—I do not know what is going to be happening.

SENATOR NEAL:

I have not contemplated that in this bill. If there is a future merging and we find ourselves in the Jetsons' world and if I am still in this Body trying to move revenue policy, I will assert some sort of commerce and tax relationship to that activity.

SENATOR SPEARMAN:

Things are moving now in nanoseconds. We still do not know in full context what meta is going to mean in terms of the things that we do with respect to digital space.

SENATOR NEAL:

This is true; the metaverse is real. We know that we have movement in the metaverse where an avatar can dress, shop and have a whole world for that metaverse grouping. I put a toe in that, but I am not at all touching the metaverse. I have dreamt of touching the metaverse in some format, but I have not arrived at that bill language as of yet.

VICE CHAIR DOÑATE:

A classic example historically of when digital goods would have been important was looking at the progression of a game, like Farmville on Facebook, where folks were purchasing certain products, or spending \$50 for tokens to make the farm grow faster, or even Sims. Those are examples of things that probably started in the early 2010s that have progressed into what we have now. I know other states exempt photography, etc. Have those conversations also played out with this bill, or have you had those?

SENATOR NEAL:

Yes, all conversations have played out on this bill in all three sessions around the digital download of music, photography and art, but it is all rolled in if it becomes a digital intangible that used to be a durable that we purchased in Nevada. If it was a tangible form under our chapter, it is now in this bill, but this bill also includes some hybrid pieces because we had what was called the mirror. It is one of the examples that I used in the past where you can exercise in front of a mirror. Peloton has a version where you participate in a digital game or watch yourself pedal. If it has some kind of digital code that would be purchased, then that would also be included in this bill as well.

AMANDA MORGAN (Executive Director, Educate Nevada Now, The Rogers Foundation):

We submitted written testimony ([Exhibit J](#)) in support of this bill. It is in line with the Commission on School Funding (CSF) recommendations. The Commission has plainly stated that efforts like this bill are exactly what we need in our State to modernize the tax structure. Our education system needs it and other sectors of our State government need it. We are excited to support it.

WILL PREGMAN (Battle Born Progress):

We are here in support of S.B. 396 and submitted testimony ([Exhibit K](#)). Our organization has repeatedly said session after session, Nevada needs to modernize its revenue structure. No matter what we look like or where we come from, most of us believe in caring for our families and leaving things better for those to come.

The explosion of popularity of online shopping is a positive. It allows us to access goods and products we might otherwise not have access to. However, Nevada does not have a statute for obtaining revenue from sales, which means brick-and-mortar stores are at an inherent disadvantage compared to much larger, wealthier out-of-state corporations who maximize profit in part due to these tax loopholes. With this compounding effect, the State is losing out on sales tax it could otherwise collect. As digital goods become more popular, there is less collectible sales tax available to the State, which leads to revenue shortfall. Revenue is sorely needed in Nevada.

Nevada is among the most underfunded K-12 schools in the Nation. There is a dire educator shortage in this State due in part to the Alternative Learning System and low pay for educators. If we are going to offer educators much needed pay raises, improved benefits and other incentives to retain the best educators, we must modernize our revenue structure further. We cannot afford to gut health care, food, housing or other State services when an economic downturn occurs, which further magnifies the effects of the downturn on the working families who run the State.

Economic ebbs and flows happen—we could experience future pandemics, recessions and the like—and in those situations Nevada needs to have stable and diverse revenue sources for the State so the Legislature is not forced to make painful cuts to education, health care and other services. Please support S.B. 396.

CARTER BUNDY (American Federation of State, County and Municipal Employees): This is a promising year in terms of revenue. State employees, for the first time in three decades, may be brought to a competitive wage scale that will help with our understaffing for all the services that were mentioned. It will be a missed opportunity if we let our sales tax plummet because of changes in technology. Senate Bill 396 is a commonsense, fair alternative, and we hope you will support it.

SARAH ADLER:

I am here today as myself, an enthusiastic follower of the Commission on School Funding. The Senator shared the data with you today, and much more of that was delivered to the CSF over the last biennium. It is critically important that we broaden our sales tax base to provide sustainable funding to education and all the other purposes that sales tax supports. Those of you who have been involved with school hearings this Session from the budget side, from the discipline side, you are aware of the dire condition of students and teachers. Education needs all sorts of funding to do right by our educators and the students in our State.

I would also point out that you are looking at some other valuable tax policies such as sales tax exemption for diapers; parents have to buy diapers. I am all in for saving the cost there. However, if we create that exemption or if we create a sales tax or a tax credit for career technical education, we are continuing to make appropriate carveouts of our tax policy. This is an opportunity to broaden it, to modernize it and provide capacity for some of those other important uses like property tax considerations for seniors.

BRYAN WACHTER (Retail Association of Nevada):

We are in support of this legislation. Senator Neal has been leading the charge on modernizing sales tax. It is singlehandedly due to her bill and the Legislature for voting in her bill in 2019. Due to the marketplace fairness language, we were able to maintain the State finances during the COVID-19 recession. It is because we have been able to modernize our sales tax and broaden the base that we are continuing to make these strides. The State was well placed at that time, and we are able to look at those funds.

We have taxed durable tangible items in Nevada since 1955. If the Internet had been around in 1955, we would have also included digital books. We want to make sure the good tax policy is as broad as possible and the rate is as low as possible. Nevada has one of the highest sales tax rates largely because we continue to give abatements, exemptions and credits. Anything we can do to broaden that base and lead to decreasing sales tax rates is important. We urge you to support tax modernization, and we urge you to support this bill.

RANDY ROBISON (City of Las Vegas):

I support this bill. This bill is important to us. The Consolidated Tax Distribution (CTX) is made up of sales tax, and consumption taxes have become an

increasingly vital part of our budget at the local level. In fact, it makes up over 50 percent of our budget. Any time we can protect that resource from erosion, we stand in support of that.

WIZ ROUZARD (Deputy State Director, Americans for Prosperity, Nevada):

On behalf of thousands of activists, I urge you to oppose S.B. 396. In regard to this bill, we find that everyone has been mentioning “broaden the base,” but no one is talking about actually lowering the rate. If we are talking about modernizing our taxes—especially capturing emerging markets like what is happening on the Internet—we need to be committed to lowering that tax. Please get on the record that you will be committed to lowering that tax. One of the most simple and transparent taxes is sales tax that is assessed at the final transaction of the product or service. The amount of tax can be easily calculated and reflected on the sales receipt.

All end products and services should be assessed the same percentage which should be as low as possible regardless of the item or service. Business-to-business transactions should not be taxed as they inflate the final cost of the item. The way this bill is written, it could evolve into a value-added tax and double taxation to the consumer, which we oppose. We are committed to work with Chair Neal on this bill and address that issue.

I would like to ask Chair Neal to state on the record that she is willing to cut the sales tax as we broaden the base. Not only is Nevada remaining a business-friendly State, but we want to make sure that we also encourage brick-and-mortars to be innovative as well. For those reasons, we oppose the bill. I applaud Chair Neal for her commitment and diligence over the past few sessions to modernize the State’s tax code to ensure when it comes to taxation, the rule of law is being applied equitably to all Nevadans.

KATRIN IVANOFF:

The tax code has not caught up with the times. Inflation has caught up with us worse than anyone can imagine. People have a hard time paying for food and gas at the same time. How is this view proposed at this moment helping Nevadans? The expert is using information from 2021 and 2022 when we were all forced by the government to stay home and had no other choice but to use the Internet. Now that most of us are back to school and work, the consumption declined. The decrease in people buying music, as the Chair stated, has more to do with the vile songs being made nowadays and

considered “music.” You want to tax our ringtones, but you have no problem spending our hard earned money spying on us.

This morning we listened to Assembly Bill (A.B.) 117 that gives \$5 million to police officers who break many of our constitutional rights. Have your colleagues vote no on A.B. 117. I just saved \$5 million for you and our educators. I listened to the people who say that money is going to education. Our Governor already gave \$2 billion for education. You do not need another bill for that. How about looking into how to save money and stop spending frivolously. Stop trying to take the money that is not even worth one quarter of what it used to be worth. We have a hard time surviving as it is. We do not need more taxes; we need to lower taxes.

ASSEMBLY BILL 117: Makes various changes relating to domestic terrorism.
(BDR 43-568)

SENATOR NEAL:

The bill really is about modernizing our sales tax and trying to deal with the erosion of goods that are no longer a part of the sales tax base and bringing in the goods that have started to grow within our commerce—not just in Nevada but nationally and globally. There were comments made about no need for revenue. If you can look at this bill as policy, that is the best way to examine this bill. It does not bring in or generate huge amount of dollars. It does save lost revenue within the local government. The chart shows that it has a Local School Support Tax impact, CTX impact and General Fund impact but nowhere near the other revenues in the State. It showed that it would be twenty-seventh in the revenues that are generated from Nevada.

The majority of this policy is about the actual tax policy and how to move forward and consider where we would be ten years from now. If we let this actual stream of commerce continue to grow, the way the tax code is set up in Nevada, it will not meet or even be established around those actual goods because there is no definition to capture it. It is my third time bringing this bill because I believe in the policy. I believe in modernizing our sales tax statute. We need to do it.

I understand how people feel personally about what is becoming this generation's only form of music and books, but it used to be in a different form that is no longer in production. We do not have Wham; we do not have CDs;

we do not have eight tracks; and we certainly do not have 45s. I know we can get online on Amazon and buy ourselves a record player in a nice suitcase, but few of us are still peddling our albums. We are downloading them. These things used to make us a significant amount of revenue, not just in Nevada but everywhere.

No one has that magic brown set of encyclopedias that your parents forced you to look at probably from second grade all the way through high school, where you would find out everything from the Warsaw Pact to apples. You now download your dictionary; you download your encyclopedia; you download your thesaurus. You are not purchasing these books. Some people are but not the way we used to where the format in which we got our materials was the durable book.

The same thing goes with Hallmark cards. I remember distinctly going to the mall with my mother to the Hallmark store where we would buy cards for all holidays and birthdays, and that included aunts, uncles, grandparents, cousins, every single family member. She would buy the cards for the year and we would spend hours at Hallmark. I thought it was a personal privilege to go to the Hallmark store because I could actually go to the mall.

I know we all have these stories of how we would purchase these items. But now we are downloading cards, we are actually making them digitally, sending them and putting music inside and saying, "Happy Birthday." The truth is the economy has changed, and our sales tax statute needs to change as well. This bill moves us in that direction.

VICE CHAIR DOÑATE:

I close the hearing on S.B. 396 and turn the gavel back to you.

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CHAIR NEAL:
This meeting is adjourned at 2:14 p.m.

RESPECTFULLY SUBMITTED:

Janet Stokes,
Committee Secretary

APPROVED BY:

Senator Dina Neal, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Introduced on Minute Report Page No.	Witness / Entity	Description
	A	1		Agenda
	B	1		Attendance Roster
S.B. 29	C	2	Christian Thauer	Work Session Document
S.B. 144	D	2	Christian Thauer	Work Session Document
S.B. 181	E	5	Senator Dina Neal	Three Letters in Support
S.B. 181	F	5	Christian Thauer	Work Session Document
S.B. 396	G	6	Senator Dina Neal	Presentation: Modernization of Sales Tax in Nevada– Digital Goods
S.B. 396	H	7	Michael Nakamoto	Tables of Nevada Taxable Sales Estimates for Digital Products
S.B. 396	I	7	Michael Nakamoto	Charts of U.S. Expenditures for Digital Products
S.B. 396	J	13	Amanda Morgan / Educate Nevada Now	Letter in Support
S.B. 396	K	14	Will Pregman / Battle Born Progress	Letter in Support