

75th Session of the Nevada Legislature Concludes

The 75th session of the Nevada Legislature finished up at 12:24 a.m. on Tuesday June 2nd. It was one of the most difficult sessions in recent memory because of the dynamics of the worst economy that Nevada has seen in a very long time; the budget reductions that were proposed by the Governor and different modifications that were enacted by the Legislature; the leadership changes that took place in the Senate; and the effect of term limits on 17 legislators.

The Legislature received a \$6.1 billion budget from the Governor that was 0.9 percent lower than the 2007-2009 fiscal year spending program. His budget included a 35 % budget reduction to the Nevada System of Higher Education, and smaller cuts to the public schools and human resources programs. The Legislature ended up restoring many programs, and had the benefit of a larger amount of federal stimulus dollars than the Governor expected to be available when he crafted his budget. But the Legislature also had to deal with much lower revenue projections than the Governor expected when he built his budget.

All in all, with the program restorations, reduced revenues and stimulus money, the Legislature had to pass a tax increase of \$781 million dollars to balance the budget. How did they get there? The biggest portion of that tax plan was found in SB429. It consisted primarily of five parts that may affect NAIOP members.

State Business License Fee increase: Sections 1 and 2 of the bill increase the fee for a state business license from \$100 to \$200.

Modified Business Tax (payroll / MBT) Increase: Existing law imposes an excise tax on certain businesses other than financial institutions at the rate of 0.63 percent of the total wages paid by the business each calendar quarter. (NRS 363B.110) This is commonly known as the Modified Business Tax or MBT. Section 3 of SB429 changes that rate to 0.5 percent of the amount paid that does not exceed \$62,500, plus a rate of 1.17 percent of the amount paid in excess of \$62,500 each quarter. So, basically, the first \$62,500 of payroll per quarter is taxed at a lower rate of .5 instead of the .63 and those total wages above \$62,500 per quarter are then taxed at a higher rate of 1.17.

Sales Tax Increase: Under existing law, the Local School Support Tax Law imposes sales and use taxes at the rate of 2.25%. Sections 6-8 of this bill increase that rate to 2.6% or an increase of 35 cents. This is a state wide rate and increase that affects all counties. While different counties have different sales tax rates because of local overrides like the Question 10 Beltway override and the Public Safety (More Cops) override here in Clark, the actual amount in Clark will be 8.1%.

Government Services Tax change: The remainder of the tax bill deals with what is known as the Government Services Tax (GST) which would affect NAIOP members if they own vehicles or maintain vehicle fleets. This tax relates to the registration of vehicles and the amount paid as a part of the vehicle registration that goes to the GST. Each year after purchasing a vehicle, a person or entity pays a lesser amount based on the depreciation of the vehicle. Section 4 of the bill slows that depreciation rate by 10% per year.

Local Government "Property Tax Shifts": One of the areas where the state government sought additional revenue-- that may in fact become a hidden tax to businesses that operate in Clark and Washoe-- was in the shifting away of property tax revenue from those two governments. For Clark County, that equals approximately \$114 million in revenues over the biennium that will not go toward needed services throughout the valley. NAIOP has always been supportive of the need for local government services. What remains to be seen is whether the county will simply keep cutting to make up the differences in lost revenue from both the state's takeaway and their own falling sales tax and

property tax revenues (based on the economy and the depreciation of home values), or whether they will increase fees as we have seen the City of Las Vegas attempt to do. But as we know...it can often be business that is asked to shoulder a great deal of the load.

There had been much discussion both before the Legislative Session and during the session that the Legislature needed to expand the tax base so that the State was not overly dependent on the boom and bust cycle of Gaming and Sales taxes. However, it became very apparent early on that there was no appetite on the part of most legislators to pass, implement and collect a new, untested tax, especially with the State being so cash strapped. It would have probably taken more than 18 months for the revenues projected with any new tax to actually reach the state coffers. The \$781 million tax increase used those existing taxes detailed above to raise immediate, (relatively) predictable revenue. In fact, just days after the close of the Session, the Governor has already stated that there may be a need for a special session because the actions taken by the Legislature may not generate the needed revenue to maintain a balanced budget.

Some positives came out of the tax discussion. The Senate Democrats needed two Republican votes to override the governor's veto of the tax bills. The Republicans, therefore, had leverage to forward the business coalition's agenda of meaningful reform to the state and local government employee benefits programs in both retirement and health insurance and push for changes to local government collective bargaining agreements. Private businesses have always viewed government employee benefits and local government salaries as an area ripe for reform to lessen the financial burdens of those governmental agencies in the future. No changes to the retirement system and health insurance system will affect current employees. Those changes will only affect employees hired on or after January 1, 2010.

NAIOP's session:

Your government affairs team that included the government affairs committee and the lobbyist team from McDonald Carano Wilson had to review 999 bills out of 1336 bill drafts that had been requested throughout the session. The team identified 35 Assembly and 22 Senate bills that were of interest to NAIOP. 482 bills became law, and more than 1058 amendments were considered. 18 bills that NAIOP was actively engaged in became law. Issues included energy legislation, prevailing wage, required OSHA training, subdivision of land and maps, and preservation of neighborhoods.

What happens now for your NAIOP government affairs team now that the regular session of the Nevada Legislature has ended? Depending on whether there are any special sessions as the Governor mentioned, the majority of the interim is spent following the interim legislative committees that are both statutorily created, and are those that come from legislation passed during the session to study specific issues. One of those studies was to be on the tax system of Nevada. However the Governor vetoed the funding for that study (up to \$500,000). The Legislature is still interested in completing that comprehensive tax study and will attempt to find funding for it. Another study sponsored by Speaker Barbara Buckley that will take place this interim is of very special interest to NAIOP. It will be a subcommittee of the Legislative Commission that will study the development and promotion of Nevada as a logistics and distribution center as well as issues that concern infrastructure and transportation. It is the intent of the legislature to work to facilitate the investment of private capital by studying the potential barriers to development, how to delineate foreign trade zones, the prioritization of infrastructure needs, funding options including the formation of public-private partnerships and how to attract businesses associated with the supply chain management activities among other important points. The study will also delve into the costs and benefits associated with expanding mass transportation systems and developing the necessary infrastructure for transportation systems. NAIOP will be poised to provide valuable input to committee members on these vital topics to our economic development in Commercial Real Estate Development.

Local Election Roundup

Voters in Las Vegas, North Las Vegas, Henderson, and Boulder City elected several new local officials on June 2. Henderson and North Las Vegas have familiar faces as their new mayor. In both races, city council members were pitted against each other. Shari Buck defeated William Robinson to become the mayor of North Las Vegas, while Andy Hafen won the race to be Henderson's new mayor by narrowly defeating Steve Kirk.

Both Councilmen Robinson and Kirk will remain on the city councils, but new faces will be appointed by their respective city councils to complete the council terms of Buck and Hafen.

Several seats on city councils were also contested in the June 2 municipal election. In Henderson, Kathleen Boutin won the race over Cathy Rosenfield to replace Jack Clark, who was term-limited. Stavros Anthony defeated Glen Trowbridge by a razor-thin margin of 10 votes to become the newest member of the Las Vegas City Council (Governor Jim Gibbons will need appoint a replacement for Stavros Anthony's elected position on the Nevada System of Higher Education Board of Regents). In North Las Vegas, Anita Wood was elected over Angelo Carvalho to replace term-limited Stephanie Smith. Cam Walker was elected to the Boulder City Council defeating Bill Smith.

City of North Las Vegas Stormwater Construction Site Inspections

The City of North Las Vegas adopted a stormwater ordinance (Ordinance 2477 amending Title 8 of the NLV Municipal Code) to provide for the health, safety, and general welfare of the citizens of the city through the regulation of non-stormwater discharges to the system to the maximum extent practicable.

Starting July 1, 2009, the city will begin enforcing this ordinance. <Click here to download the letter with more details> or contact Jennifer E. Doody, P.E. CFM, Manager, Development and Flood Control Division, (702) 633-1223 or doodyj@cityofnorthlasvegas.com.

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