

NEVADA TAX COMMISSION MEETING
MINUTES

June 25, 2024

9:00 a.m.

Members Present:

George Kelesis, Chairman
Thom Sheets, Commissioner
Caryn Adelhoch, Commissioner
Jeff Rodefer, Commissioner
H. Stan Johnson, Commissioner
Sharon Byram, Commissioner
Craig Witt, Commissioner
Ryan Bellows, Commissioner (virtual)

- I. Call the meeting to order and establish a quorum.

Chairman Kelesis called the meeting to order. A quorum was established.

- II. Public Comment.

Ron Voigt –The Department has created a new website and I really like its appearance. The three areas that I would like to talk about are, if there's enough information for guidance given to a taxpayer, mostly if they're doing it online. Is there enough information for sections of the Nevada Business Registration. It can get a little tricky on what needs to be reported and not be reported. The other area I would like for the Department to look into when they're creating that website is a PowerPoint presentation that refers to generally accepted accounting principles that don't need to be followed. That's true. For a government agency, you don't have to follow that. But there is some kind of governmental type of principles that do need to be followed. That's my opinion. And I would like further research to be done on if that statement is true that you don't have to follow generally accepted accounting principles mostly when dealing with leases. My last comment is regarding the Department going towards wanting to inform taxpayers by email, and I know that's the future, but security needs to be given a top priority. If you read in the newspaper, Bentley Automotive got hacked and now they're doing things by paper and pen. I would ask the Department when you start wanting to do audit and billings through email to be very careful that you are sending it by secure email because that is really dangerous. I think within the Department there's some kind of guidance saying that the auditor needs to insure that it's sent to a secure location. Recently I sold my mom's condominium. She moved in with us. Through the process of dealing with Astral, they have a thing called ID verification. I would encourage any kind of email that's sent to a taxpayer that you definitely make sure that you're talking to the taxpayer because once information is sent, it can be really dangerous. I would recommend the Department really look into what's called ID verification. Thank you.

Chairman Kelesis stated items IV. D. 1) CWNevada, LLC and V. A. 1) The C Store Depot, Inc. will be removed from the agenda.

Director Hughes administered an oath to all parties testifying.

III. MEETING MINUTES:

- A. Consideration for Approval of the May 8, 2024, Nevada Tax Commission Meeting Minutes.

Commissioner Byram made a motion to approve the May 8, 2024, Nevada Tax Commission Meeting Minutes with a correction to Page 3, Item V. A. 18. Commissioner Byram asked that the fourth sentence in the paragraph be removed due to clarity. Commissioner Rodefer seconded the motion. All in favor. Motion carried.

IV. CONSENT CALENDAR:

- A. Waiver of Penalty and Interest Pursuant to a Request on a Voluntary Disclosure:
- 1) Anti Social Social Club
 - 2) Brava Home Inc.
 - 3) Buildasoil LLC
 - 4) Dwelling Live Inc.
 - 5) Follet Products LLC
 - 6) Meshki Pty Ltd.
 - 7) Meyer Laboratory Inc.
 - 8) Radius Networks Inc.
 - 9) Roadster Shop
 - 10) Sportsmans Market Inc.
 - 11) Turbochef Technologies LLC
 - 12) Wilen New York
 - 13) Arct Inc fka Town&Country Event Rentals
- B. Waiver of Penalty and/or Interest Pursuant to NRS 360.419 that exceeds \$25,000:
- 1) T3 Expo LLC
- C. Approval of Refund Request in Excess of \$250,000:
- 1) Equitable Financial Life Insurance Company of America
- D. Consideration for Approval of the Recommended Settlement Agreements and Stipulations:
- 1) CWNevada, LLC
- E. Consideration for the Adoption of the Administrative Law Judge's Proposed Decision concerning the Department's Recommendation for Denial of Waiver of Penalty and/or Interest pursuant to NRS 360.419:
- 1) Airgas USA LLC
 - 2) Backstage Bar & Billiards Lounge; and The Fremont Country Club, LLC
- F. Departments Recommendation to the Commission for Approval of a Payment Plan Request:
- 1) Clem Auto Sales Inc.
 - 2) Lizette Medellin dba El Rodeo
 - 3) Matrix NV LLC dba Matrix NV
- G. Department's Recommendation to the Commission for Approval of an Offer-In-Compromise pursuant to NRS 360.263:
- 1) Erin Peace for the debts of Wing King at The Gardens LLC

- 2) Sarkis Airapentian for the debts of Accent Auto Body Inc.

Commissioner Rodefer pulled Items IV. A. 1), IV. A. 9), and IV. A. 12) for further discussion.

Commissioner Sheets moved to approve the Consent Calendar with the exceptions of Items IV. A. 1), 9), 12), and Item IV. D. 1). Commissioner Byram seconded the motion. All in favor. Motion carried.

Items IV. A. 1) Anti Social Social Club, IV. A. 9) Roadster Shop, and IV. A. 12) Wilen New York - Commissioner Rodefer asked if these matters are agendized correctly by using the dba or fictitious name. Amy Ammons, Revenue Officer II, was present on behalf of the Department. Ms. Ammons stated they are identified by the dba not necessarily the entity name. Commissioner Rodefer made a motion to approve items IV. A. 1), IV. A. 9), and IV. A. 12). Commissioner Byram seconded the motion. All in favor. Motion carried.

V. COMPLIANCE DIVISION:

A. Department's Request for Approval of Motion to Dismiss Taxpayer's Appeal and Affirm Decision of the Administrative Law Judge:

- 1) The C Store Depot, Inc.

No action was taken on Item V. A. 1) The C Store Depot, Inc.

B. Consideration of the Administrative Law Judge's Proposed Decision concerning the Appeal of the Department's Denial of Modified Business Tax Classification Change pursuant to NRS 363A.050 and NAC 363A.350.

- 1) Early Warning Services LLC

Sean McElenney, Esq. was present on behalf of Early Warning Services LLC. Sonya Watson, Deputy Attorney General, was present on behalf of the Department. Commissioner Byram made a motion to overturn the Administrative Law Judge's Decision. Commissioner Witt seconded the motion. Chairman Kelesis voted no. Motion carried.

C. Pursuant to NAC 360.454, consideration for approval of the Nevada Tax Commission regarding the maximum amount of tax liability that may be the subject of an agreement with the Department to pay taxes, interest, and penalties in installments pursuant to NAC 360.450.

Yvonne Nevarez-Goodson was present on behalf of the Department. Ms. Nevarez-Goodson presented the matter and stated the Department is seeking the Commission's consideration to increase the threshold to the amount of \$100,000. Commissioner Sheets made a motion for the approval to increase maximum amount of tax liability that may be the subject of an agreement with the Department to pay taxes, interest, and penalties in installments pursuant to NAC 360.450. Commissioner Byram seconded the motion. All in favor. Motion carries.

D. Consideration for the Approval of the Nevada Tax Commission to Authorize the Nevada Department of Taxation to Cease Collection Efforts of Sales or Use Taxes due to the Administrative Costs for Collection Exceeding the Amount Due as authorized under NRS 360.262.

Dalia Andrade, Tax Program Supervisor, was present on behalf of the Department. Ms. Andrade stated the Department is recommending approval of \$129.70 per taxpayer account as an administration collection cost limit authorizing the Department to cease collection efforts of Sales or

Use Tax. Commissioner Witt made a motion to authorize the Department to cease collection efforts of Sales or Use Tax due to the administrative costs for collection exceeding the amount due as authorized under NRS 360.262. Commissioner Byram seconded the motion. All in favor. Motion carried.

- E. Consideration of Motion to Nevada Tax Commission objecting to assignment of Administrative Law Judge in Petition for Advisory Opinion of Broadacres Open Air Marketplace, LLC dba/ Broadacres Swap Meet.

Dan Reaser, Esq. was present on behalf of Broadacres Open Air Marketplace, LLC dba Broadacres Swap Meet. Andrea Nichols, Senior Deputy Attorney General, was present on behalf of the Department. Commissioner Rodefer stated that he will participate in this matter, and disclosed that he has known Mr. Reaser professionally for approximately 35 years. Commissioner Adelhoch recused herself from this matter due to a conflict. Commissioner Sheets moved to overrule the assignment of the Administrative Law Judge for purposes of reviewing an advisory opinion issued by the Department in the Broadacres' case. Commissioner Bellows seconded the motion. A roll call vote was taken. Commissioner Adelhoch – Recused, Commissioner Sheets – Aye, Commissioner Rodefer – Aye, Commissioner Bellows – Aye, Commissioner Johnson – Aye, Commissioner Byram – Aye, Commissioner Witt – Aye, Chairman Kelesis – Nay. Motion carried. Chairman Kelesis stated the Department has until August 30, 2024, to file a response to the appeal; and Mr. Reaser will have two weeks to file a response.

VI. LOCAL GOVERNMENT FINANCE

- A. Certification of Ad Valorem Tax Rates for Fiscal Year 2024-2025 pursuant to NRS 361.4547.

Kelly Langley, Supervisor of Local Government Finance, was present on behalf of the Department and presented the matter. Commissioner Sheets made a motion to approve the Ad Valorem Tax Rates for Fiscal Year 2024-2025 pursuant to NRS 361.4547. Commissioner Byram seconded the motion. Commissioner Byram asked that the date in the heading on the document be changed to 2025. All in favor. Motion carried.

VII. REGULATIONS:

- A. Consideration for Adoption of Permanent Regulation LCB File No. R100-22: A regulation relating to taxation; revising provisions governing the payment of the tax imposed on tobacco products, other than cigarettes; revising provisions governing certain credits and refunds which a wholesale dealer of such tobacco products may claim; eliminating the requirement that a wholesale dealer of such tobacco products include the tax as part of the price of the products; and providing other matters properly relating thereto.

Yvonne Nevarez-Goodson, Chief Deputy Executive Director, was present on behalf of the Department and presented LCB File No. R100-22. There was no public comment. Commissioner Sheets made a motion to approve LCB File No. R100-22. Commissioner Rodefer seconded the motion. All in favor. Motion carried.

- B. Consideration for Adoption of Permanent Regulation LCB File No. R152-22: A regulation relating to taxation; revising provisions relating to the voluntary disclosure of a taxpayer's failure to file a tax return with the Department of Taxation; expanding the applicability of those provisions to include taxpayers subject to certain additional taxes and fees; transferring from the Nevada Tax Commission to the Department the responsibility for determining in the first instance whether the tax liability of a taxpayer has been voluntarily disclosed; revising the requirements to be met by a taxpayer or the taxpayer's representative before the Department may make a determination of voluntary disclosure; authorizing the Executive Director of the Department or a person designated by the Executive Director to extend the time for complying with those requirements; requiring a taxpayer whose tax liability has been determined not to have been voluntarily disclosed to file any additional returns and pay any tax, penalty or interest determined to be owed; and providing other matters properly relating thereto.

Yvonne Nevarez-Goodson, Chief Deputy Executive Director, was present on behalf of the Department and presented LCB File No. R152-22.

Public Comment: Yolanda King with the Nevada Taxpayer's Association – We want to ensure that there are rights available to the taxpayer to be able to fall under a payment plan should they not be able to pay in full under this voluntary disclosure. In addition, we also want to clarify that the appeal process is applicable to the taxpayer should they not agree with the Department's decision, and that they would have the appeal rights to come to the Commission to appeal those decisions. The Department has confirmed that those two things are in place under existing law, and so we were able to resolve my concerns. Thank you.

Chairman Kelesis asked if the private sector came forward to give input at the workshop. Chief Deputy Nevarez-Goodson answered there was no written or other public appearances at the workshop. We submit a small business questionnaire to members of the community on our interested parties list, and we request feedback about whether or not the regulations will have any impact to their businesses, and we also did not receive any feedback in response to that questionnaire before the workshop.

Commissioner Sheets made a motion to approve LCB File No. R152-22. Commissioner Johnson seconded the motion. All in favor. Motion carried.

- C. Consideration for Adoption of Permanent Regulation LCB File No. R157-22: A regulation relating to taxation; revising provisions governing the scheduling of an audit; revising provisions governing the calculation of delinquent taxes due if a taxpayer fails to provide necessary records to an auditor; and providing other matters properly relating thereto.

Yvonne Nevarez-Goodson, Chief Deputy Executive Director, was present on behalf of the Department and presented LCB File No. R157-22.

Public Comment: Yolanda King with the Nevada Taxpayer's Association – The request was to ask the Department to provide a courtesy email to taxpayers, even though it may not be the preferred method, this would really just insure proper communication. The reason for the request was that you do have instances where the Department is already communicating with the taxpayer via email, and since that communication has already been established, although it may not be the preferred method of communication, the idea is to allow for just a courtesy email to go to the taxpayer since the Department may be communicating via email anyway. I do appreciate that the Department's

acknowledgment and they have instituted an internal policy that would send a courtesy email. Their concern was because of the modernization project that's going on, but I respectfully request that the courtesy email be included as part of the regulation. The Department has already agreed to have it as an internal policy. I see no reason why we cannot include it as part of the regulation just to send a courtesy email. Thank you.

Commissioner Sheets asked if we were to specifically include the provision that Ms. King is requesting on behalf of the Taxpayers Association regarding the provision of a courtesy email, would the regulation have to go back to LCB? Chief Deputy Nevarez-Goodson answered, usually the decision is up to the Legislative Council Bureau whether they will consider that change a substantive change. If the Commission would like to make that addition, we could submit the adopted version with that change, and if LCB makes the decision that it's substantive, they will send it back. Otherwise, they will create the adopted language to submit to the Legislative Commission with that change in it.

Chairman Kelesis asked how many notices do we send the taxpayer and in what form? Chief Deputy Nevarez-Goodson stated with this particular regulation, what is at issue is the initial contact from the audit staff of the Department to the taxpayer for purposes of scheduling an audit, so that is why we've gone ahead and included an internal protocol whereby if we happen to already have been working with a taxpayer and we have their email, we will go ahead and provide email correspondence to schedule that as well. But if the intent of the NTA is to broaden the scope of email correspondence beyond just this initial contact with the taxpayer, then I think it would be a broader more substantive change to the regulation.

Chairman Kelesis asked what happens if the taxpayer doesn't have an email? Chief Deputy Nevarez-Goodson stated what this regulation is intended to do is to say that under current law, we are supposed to contact the taxpayer by telephone. This regulation is changing that requirement from telephone to the known preferred contact of the taxpayer based upon the information we have on file for that taxpayer at the Department. So it could be that the taxpayer has listed an email address, a telephone number, snail mail, and this regulation would require the Department to contact that taxpayer to schedule an audit based upon their preferred method as identified in the Department's records. Chairman Kelesis stated he doesn't see any reason to add an email requirement if the Department is in fact letting the taxpayer dictate how they want to be contacted. The taxpayer can say I want email and that's what the Department is going to do. I just think it's going to be burdensome to add that requirement.

Commissioner Sheets made a motion to approve LCB File No. R157-22 with the provision that the internal courtesy email policy is in place and with the understanding that in adopting the regulation, if we do so, that I'm going to propose a motion for that if it doesn't seem to be working, taxpayers can come back and question the means of communication. Commissioner Rodefer seconded the motion. All in favor. Motion carried.

VIII. INFORMATIONAL ITEMS:

- A. Penalty and Interest Waivers granted by the Department for Sales/Use Tax, Commerce Tax, Modified Business Tax and Excise Tax (dates as indicated).
- B. Approval and Denial Status Report Log for Organizations Created for Religious, Charitable or Educational Purposes (dates as indicated) (Sales/Use Tax Exemption).
- C. Bonds Administratively Waived (dates as indicated) (Sales/Use Tax)

Commissioner Byram mentioned that on Page 3, the MBT totals are incorrect. It is a formula and formatting issue.

IX. BRIEFING:

A. Briefing to/from the Commission and the Executive Director. (for discussion only)

Executive Director Hughes reported the Federation of Tax Administrators held its annual conference June 9th through the 13th in Long Beach, California. Deputy Director Jennifer Roebuck and I attended several informative sessions including digital engagement, the rise of e-invoicing, tools to bring e-commerce into compliance and transforming the Compact Center experience to name a few. Last week on Thursday, June 20th, several members of the Executive Team and I presented at the Joint Interim Standing Committee on Revenue at the Legislative Building in Carson City. We provided information on the status of the implementation of bills that were passed in the 82nd Session, tax revenues statistics including the uncollected or delinquent amounts from each tax type, our collection rate and amnesty amounts from 2020, streamlined sales and use tax updates, refund statistics from the National Guard sales tax holiday and update regarding Project MYNT and our other modernization activity, how artificial intelligence relates to the Department's modernization initiatives, and what risks and opportunities we see for the 2025 session. Yesterday, June 24th, the Department launched its new-and-improved website designed to better serve the taxpayers and the businesses of Nevada. The website offers a more user-friendly interface, enhanced navigation and improved access to information and services. The new website also boasts a clean, modern design that simplifies the user experience. With intuitive navigation, users can quickly find the information and resources they need. The website is fully optimized for mobile devices insuring that users can access the site from their Smart phones and tablets with ease. Additionally, the website offers a wealth of information including a detailed guide on tax laws, regulations and filing requirements. Users can easily access forms, publications and frequently asked questions. The website really is a great informational tool for taxpayers. So if you get a chance, please visit tax.nv.gov and check it out. And then lastly, pursuant to NRS 360.105, the Department is required to submit its proposed budget and bill draft requests to the Commission during the June Tax Commission meeting. However, at this time, the Department is unable to provide these items to the Commission because the Department is currently working on building its budget which is due to the Governor's Finance Office on September 1st and which will be made public upon delivery of the Governor's transmission of the proposed budget to the legislature pursuant to NRS 353.205 Subsection 3. Moreover, the Department's submitted proposal proposed bill draft requests have not been approved or released from the Governor's Office. The Governor will send over approved final drafts to the Legislative Council Bureau by August 1st at which time the summary of the BDR's will be made public by LCB pursuant to NRS 218D.130. Since the Department is still in the early phase of its budget creation and BDR's have not been released from the Governor's Office, I will report back to the Commission on our agency budget and BDR's in the future meeting when they are finalized and no longer confidential.

X. Next Meeting Date: August 14, 2024.

XI. Public Comment.

Yolanda King on behalf of the Nevada Taxpayer's Association. This public comment is in regard to the approval of Regulation 150-22 which is related to religious, charitable and educational exemptions. The Nevada Tax Commission approved this regulation on May 8th, and the Nevada Legislative Commission approved it on June 18th. You may recall that the Nevada Taxpayers Association requested to amend the regulation to allow for the approval of the exemption to be granted upon the application submission date. The regulation and exemption approval date is the date in which the Department of Taxation issues an approval letter which may be a few months after the application was submitted. The approval of the regulation is, in my opinion, an unfortunate disservice to religious, charitable and educational organizations. The approval of the regulation will require qualified exempt organizations to pay taxes through the application processing period. I must again reiterate that this process is contrary to how the IRS process exemption exception application process

works. So since the approval of the regulation, the Department of Taxation has taken steps to alleviate the wait time for these organizations by eliminating or by implementing an internal procedure to insure that applications for exemption are reviewed within 30 to 60 days. I want to thank the Department for that internal procedure to insure that the applications are processed in a timely manner. What I am requesting today is that the Department of Taxation develop a status report which would detail the approval time frame for all of the exemption applications. I would ask that this report be produced quarterly and sent to the Nevada Taxpayers Association as well as the members of the Tax Commission. This is in an effort to allow for transparency for the Nevada Taxpayers Association to assess the timeliness of processing and approving these exemption applications. So the intent of the report is just to monitor that these applications are being reviewed and approved. Assuming that all of the information from the taxpayer or the non-profit organizations have been submitted to the Department, it's just to insure that the review and approvals are occurring within the 30 to 60 days which is part of the internal policy of the Department. So that is the request as part of a report to prepare and submit it to our Association as well as to the Members of the Commission. Thank you.

XII. Items for Future Agendas. (for discussion only)

No items were discussed.

XIII. Meeting adjourned at 11:33 a.m.