

MINUTES OF THE JANUARY 23, 2024,
MEETING OF THE
JOINT INTERIM STANDING COMMITTEE ON REVENUE

Chair Shea Backus called a meeting of the Joint Interim Standing Committee on Revenue to order at 9:09 a.m. on January 23, 2024, in Room 4401 of the Grant Sawyer Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Shea Backus, Chair
Senator Dina Neal, Vice Chair
Senator Fabian Doñate
Senator Heidi Seevers Gansert
Assemblywoman Venicia Considine
Assemblyman Philip P.K. O'Neill for Assemblyman Toby Yurek
Assemblyman David Orentlicher

COMMITTEE MEMBERS EXCUSED:

Assemblyman Gregory T. Hafen, II
Assemblyman Toby Yurek

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division
Christian Thauer, Deputy Fiscal Analyst, Fiscal Analysis Division
Hayley Owens, Economist, Fiscal Analysis Division
Joe Steigmeyer, Senior Deputy Legislative Counsel, Legal Division
Bryan Fernley, Chief Deputy Legislative Counsel, Legal Division
Tom Weber, Assistant Manager of Administrative Services, Fiscal Analysis Division
Maria Montes, Committee Secretary, Fiscal Analysis Division

EXHIBITS:

[Exhibit A](#): Meeting Packet

I. ROLL CALL.

MARIA MONTES (Committee Secretary, Fiscal Analysis Division, Legislative Counsel Bureau [LCB]) called the roll. All members were present except Assemblyman Hafen and Assemblyman Yurek, who were excused. Senator Doñate and Assemblyman Orentlicher joined the meeting in progress.

II. OPENING REMARKS.

CHAIR BACKUS made housekeeping remarks and invited Committee members to provide introductory comments.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB) introduced the Committee staff.

III. PUBLIC COMMENT.

There was no public comment.

IV. ADOPTION OF COMMITTEE POLICIES.

CHAIR BACKUS:

The Committee policies (page 5, [Exhibit A](#)) are a combination of policies that were established during the 82nd (2023) Legislature between the Assembly Committee on Revenue and the Senate Committee on Revenue and Economic Development. The policies have been adjusted slightly to accommodate a joint committee during the interim.

SENATOR NEAL MOVED TO APPROVE THE COMMITTEE POLICIES.

ASSEMBLYWOMAN CONSIDINE SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT. (Senator Doñate was not present for the vote.)

V. TRENDS IN STATE TAXATION AND THE OUTLOOK FOR 2024.

ERIC SYVERSON (Senior Policy Specialist, Fiscal Affairs Program, National Conference of State Legislatures [NCSL]):

I will provide a high-level overview of trending state tax policies and outline what the 2024 legislative sessions are conforming to state tax policy (page 7, [Exhibit A](#)). NCSL is committed to the success of all legislators and legislative staff. Its mission is to: ensure state legislatures have a strong, cohesive voice in the federal system; improve the quality and effectiveness of state legislatures; and promote policy innovation and communication among state legislatures. NCSL provides technical assistance, testimony and presentations, and responses to legislative requests.

I will outline three topics: (1) the state tax policy trends from 2023, as well as a look at the previous two years, which are historic as they relate to state tax policy; (2) the approaches states have taken to provide tax relief, specifically in regards to income and property taxes; and (3) an outlook of the 2024 legislative sessions as they relate to state tax policy and state fiscal conditions.

Across the country, states continue to provide tax relief. According to NCSL and the Tax Policy Center of the Urban Institute and Brookings Institution, at least 48 states have cut

taxes in some manner since 2021. These acts were made possible by the growth in state revenues, which is attributed to several broad factors. One factor is a strong economic resiliency during and after the COVID-19 pandemic. A robust labor market, high consumer spending, a bullish stock market, and a soaring housing market have enabled increased state and local tax collections. Additionally, federal pandemic-related spending buoyed state coffers. There was over \$500 billion allocated from the American Rescue Plan Act (ARPA) alone to state and local governments. According to The Pew Charitable Trusts, the share of state's total revenue from federal funds climbed to a record high nationally in Fiscal Year (FY) 2021 to 36.7%, which will remain elevated through the end of this fiscal year when most of the ARPA dollars will be obligated. According to the National Association of State Budget Officers (NASBO), 46 states recorded revenue surpluses for the third consecutive year in a row in 2023.

The chart on page 11 ([Exhibit A](#)) is from the Fall 2023 Fiscal Survey of States by NASBO. It demonstrates the tremendous growth in general fund revenue nationally, both in nominal and inflation-adjusted dollars. While FY 2023 and projections for FY 2024 show relative declines in revenue growth, that is compared to FY 2021 and FY 2022, which were historic years regarding how much states collected in state tax dollars.

Although Nevada does not impose an income tax on individuals, page 12 of ([Exhibit A](#)) provides a review of specific income tax reductions that states have enacted over the previous few years. Since 2021, half of all states have cut income tax rates, which includes 23 rate reductions to the top marginal rates in states. Income taxes are usually the largest source of revenue for state governments, making these cuts notable and historic in their adoption across the nation. In 2023 alone, the following states reduced their individual income tax rates: Arkansas, Indiana, Ohio, Kentucky, Montana, Nebraska, North Dakota, Utah, and West Virginia.

To provide an example of how income tax cuts have created a downward pressure on income tax rates across the nation, page 14 of ([Exhibit A](#)) highlights certain state approaches to these policies. Through the passage of House Bill (H.B.) 33 (135th General Assembly), Ohio simplified its tax brackets by merging four brackets into two brackets by this tax year. Additionally, there will be a reduction to the top income tax rate bracket from 3.99% to 3.75% in tax year 2023. Further streamlining is planned for tax year 2024, consolidating the two top income tax brackets and lowering the rate to 3.5%. Additionally, Kentucky Governor Andy Beshear signed into law H.B. 1 (2023 Regular Session), which lowers the state personal income tax rate, retroactive to 4.5% in tax year 2023 and 4% effective in tax year 2024.

States have also looked to benefit taxpayers through additional methods such as tax expenditures. As described on page 15 of ([Exhibit A](#)), at least 13 states have enacted or expanded their Earned Income Tax Credit (EITC) by allowing more incomes to qualify for the credit, making the credit fully refundable, or simply increasing the percentage of the credit allotted to taxpayers based on the federal EITC. States use EITCs to provide targeted tax benefits designed to help low- to moderate-income working people, especially those with children. There has been further activity from states regarding

Child Tax Credits to enhance the economic security of families with children. This year alone, Minnesota, Oregon, and Utah joined the growing number of states that offer a state Child Tax Credit, amounting to 14 states in total across the nation. At least five other states either expanded their credit, made it refundable, or made it more generous in this past year as well.

Relatively high revenues and exceeding expenditures also prompted six states to issue income tax rebates. For example, Alabama issued \$150 to single filers and \$300 to joint filers, costing the state \$393 million of its \$2.8 billion surplus. Virginia passed a similar rebate giving \$200 to individual filers and up to \$400 to joint filers last year as well. Of the 11 states that still tax benefits, many reduced tax burdens on social security recipients. States either allowed a higher percentage of the benefits to be excluded from income for tax purposes or, in the case of Missouri, entirely phased out taxing benefits altogether.

Compared to individual income taxes, corporate tax cuts were not as prevalent this previous year or the past two years, as shown on page 16 of ([Exhibit A](#)). Since 2021, only 14 states have cut corporate income tax rates. In 2023, Arkansas, Nebraska, and Utah reduced their corporate income tax rates. Nebraska enacted Legislative Bill (L.B.) 754 (108th Session, First Regular Session) last year, which flattened its corporate income tax. Nebraska's previous corporate income tax rate was 5.58% on the first \$100,000 of corporate income in the state and an additional 7.25% on income beyond \$100,000. Under previous law, Nebraska's top corporate income tax rate was scheduled to go down to 5.84% by the 2027 tax year. Instead, L.B. 754 consolidated Nebraska's two-rate system into a new flat rate of 3.99% by the 2027 tax year. Utah also decreased its corporate income tax rate, in addition to its individual income tax rate, from 4.85% to 4.65%.

Corporate income taxes have gradually eroded and declined as a source of state government revenue over the years. This is a long-term trend that tax analysts have been grappling with, prompting some states to find new sources of revenue from business activities. Corporate income used to account for 9% to 10% of state tax collections as early as the 1980s, but it is now only half of that. Some of the commonly cited reasons for this include an increase in tax planning opportunities, businesses shielding more of their income, and states growing the amount of economic development tax incentives that they provide. Further, there is an ongoing shift of small business corporations and pass-through businesses filing through the personal income tax code, which up until recently had a more-favorable treatment at the federal level. Roughly 90% of American businesses are now pass-through entities. Lastly, there have been changes to apportionment formulas in states that are used to determine tax liability for multistate corporate taxpayers which have increasingly altered in ways to benefit large corporations with a lot of payroll and property in-state and a lot of sales out of state.

Finally, in response to rising housing costs and evaluations across the country, many states are considering offering ongoing or one-time property tax relief measures. In 2023, 14 states enacted relief in the form of homestead exemptions or circuit breakers. For instance, Colorado called a special session to provide property tax relief after Proposition HH failed to pass muster during the November elections, whereas voters in

Louisiana and Texas agreed to ballot initiatives to offer ongoing property tax relief in their states.

Compared to income and property taxes, states have not cut sales tax rates in the preceding three years, despite a flurry of legislation relating to state tax policy and healthy state revenue collections. Only two states, New Mexico and South Dakota, reduced rates since 2021. Instead of rate reductions, states are more likely to provide sales tax exemptions or enact holidays as forms of tax relief. In contrast to sales taxes, excise taxes have challenged the overall trend of tax relief and pose a new source of revenue for state governments. States have been willing to place taxes on newly legalized activities like gambling and marijuana. Additionally, the trend of increasing rates of taxation on tobacco and e-cigarette products has continued, especially as states look for ongoing revenue streams to fund priority investments.

The sales tax faces some of the most difficult barriers in the modern world, which may explain the lack of sales tax relief in relation to other taxes. For many, the ideal sales tax would fall on all final consumption, but state sales taxes do not currently live up to that ideal. A growing number of consumer purchases are also not subject to sales tax in most states. The chart on page 20 ([Exhibit A](#)) shows personal consumption of goods compared to services. Back in the 1930s, when most states enacted their state sales taxes, tangible goods accounted for most personal consumption, and services were left out of the state sales tax bases because they posed some tricky administrative challenges. Today, services account for about 70% of all personal consumption, and many of those transactions are not subject to sales tax.

The digital era is also contributing to an eroding sales tax base. Many tangible products are now being replaced by intangible digital versions, which are not usually taxed. This is not a new development, but only half of the states currently tax digital products or streaming services. There has been a continuing shift towards electronic commerce as well, which has accelerated after the COVID-19 pandemic. Online sales are now 21% of total retail spending. Recently, all states with sales taxes have enacted laws allowing for the collection of taxes from online sales; however, there are still exemptions for small sellers in every state and ongoing challenges with bringing foreign sellers into compliance. In addition to these challenges, there are legislatively enacted exemptions and sales tax holidays that further cut into sales tax revenues. Due to the narrowing of the state sales tax bases over the years, statutory rates have only gone up gradually. The median state sales tax rate was 3.25% in 1970 and roughly stands at 6% today.

States are providing targeted tax relief in the form of income tax relief and property tax relief. As discussed, a lot of states have reduced income tax rates across the country. For most states taking this approach, the changes in tax rates are not usually effective immediately. Instead, states are prone to phase in effective lower rates over the course of several years up to and including five fiscal years to properly analyze and account for actual lost revenues.

In addition to rate reductions, two new states have joined the others in adopting flat income tax rates. In 2022, Georgia and Iowa enacted flat income tax rates, meaning 13 states currently have flat income taxes across the nation. During 2023, governors in several states proposed and enacted state income tax rate reductions. There are also calls for eliminating income taxes across the country; however, that is a highly contentious proposition in most states. Replacing the average state's most productive revenue stream could lead to budget instability and would increase the overall regressivity of a state tax system. People with lower incomes typically spend about three-quarters of their earnings on items which are subject to the sales tax, whereas top earners spend about one-sixth of their income on items that are taxed. To the extent that states continue to reduce income taxes, more reliance will inevitably fall on the state sales taxes, which are the second largest revenue source for states. Instead of taxing income, some economists who favor state sales taxes say that taxing consumption is less economically distortive and more conducive to growth.

For homeowners in 48 states and Washington, D.C., property tax relief is available in the form of homestead exemptions and property tax circuit breakers. Homestead exemptions come in two varieties: as a credit against the property tax due or as an exemption from the tax on a portion of the property's value. State eligibility requirements vary for these types of policies, but exemptions commonly target people over the age of 65, veterans, people with disabilities, and people who meet low-income thresholds. However, some states offer all homeowners an automatic exemption on a set amount of the value of their property.

Several states have unique homestead exemption programs. For example, Wisconsin is the only state to offer homeowners a property tax credit that changes value based on the gaming and lottery revenue collections that the state collects that year. Nebraska has a graduated exemption that increases in value as applicants' incomes decrease. Massachusetts and Texas have adopted a similar system for veterans with disabilities where the exemption increases based on the degree of disability. Similarly, Hawaii has a basic exemption of \$40,000 for people under the age of 60, but the amount increases for people in older age brackets.

In contrast, under most circuit breaker tax programs, when a property tax bill exceeds a certain percentage of the taxpayer's income, the circuit breaker reduces property taxes more than this "overload level." The term *circuit breaker* was coined in the 1960s to describe the programs that protect family income from property tax overload, similar to how electric circuit breakers protect homes from excessive currents. At least 29 states offer circuit breaker programs currently, with eligibility requirements varying widely. There are 16 states that have age or disability requirements, or both, and the remaining 13 states have only maximum income limits as a requirement. An important distinction between property tax circuit breakers and homestead exemptions is that circuit breaker programs can provide relief to renters who qualify based on the rental payments; however, only 11 states offer circuit breaker programs for renters and that number has dropped 50% in the last 20 years.

According to the Urban Institute's reporting, state revenues are weaker heading into FY 2024 than they were in FY 2022 and FY 2023. Compared to FY 2022, state government tax revenues from major sources declined 11% in real terms in FY 2023 largely due to income tax decreases. State personal income tax revenues decreased 19.9% in real terms in FY 2023 compared to FY 2022, bolstered by the 10.8% decrease in state corporate income tax revenues over the same period. State sales tax growth remains, but it is weaker than it has been in the previous two years. State sales tax revenues for state governments increased 0.7% in real terms in FY 2023. Personal consumption is still growing but increases are highest among services. Spending on goods is also down alongside energy-related goods and services, which is largely due to the lower energy prices across the nation.

An insightful report from the Bureau of Economic Analysis of the U.S. Department of Commerce shows that, as of September 2023, household excess savings still stand at about \$430 billion nationally, which were built up over the pandemic. However, most of the household excess savings are held by the top half of income earners, meaning that some of the spending over the past two years could be further cushioned through the end of this fiscal year.

Property tax revenues remain strong for local and state governments but not as strong as one would think. Despite soaring housing residential property values, commercial properties have declined significantly. High interest rates have cooled housing prices in some markets, which may weaken future property tax revenues going forward. State tax cuts are influencing revenue collections. Steep declines in personal income and corporate income tax collections are attributable to rate reductions enacted by states over the past three years. In FY 2023 alone, states enacted tax cuts amounting to \$16.2 billion, representing the largest nominal reduction in revenues on record according to the Urban Institute. Cuts are made to further economic development; however, the timing of these cuts could be bad if economic conditions worsen, which can create pressure on some states and lead to budget imbalances. However, states have record-high reserves, which will grant them some cushion in the years to come.

While revenues are beginning to show signs of slower growth and weakening, it is not true across the nation. Most states have higher than normal levels of reserves. Large rainy day funds could help ease the transition to slower revenue growth for the states seeing the lowest amount of growth. For instance, NASBO data indicates that states have aggregate rainy day fund balances of 13.5% of total general fund spending, with some states having access to other resources like general fund surpluses and other balances not formally counted as rainy day funds. The key questions for state rainy day funds remain: When and how much will states draw down reserve balances? After use, are states expected to replenish their rainy day funds? What is the normal level at which rainy day fund balances will normalize?

The path forward remains uncertain because state revenues have become increasingly volatile. This is due to a few factors. As I mentioned previously, states are increasingly reducing rates. State tax rates have not been stable over the past few years, which

makes forecasting difficult. Additionally, states are relying on more volatile sources of revenue. For instance, the growing line across the nation on income taxes may be problematic as some revenue depends on non-wage income, such as stock options and capital gains. States also depend on severance taxes, which are considered largely volatile because of their large fluctuations in prices. If economic conditions worsen and revenue collections continue to derate and do not stabilize, states will be forced to seek revenue or enact spending cuts in the coming years. The key questions facing state budgets are: How will the labor market change in the next few years? Will wage gains continue, albeit at a slower pace, or will growth stagnate? What will growth and services versus good consumptions look like? Are interest rate reductions around the corner? How will this impact housing prices and the market overall?

Finally, in looking at governors' state of the state addresses across the nation and the prospect for tax reform in 2024, there are still governors and state legislatures pursuing tax cuts in the upcoming legislative sessions, but analysts predict fewer states will reduce rates in 2024 compared to the previous three years. Income and property tax relief will continue to be the major tax policy areas for states looking to enact cuts. The map on page 28 ([Exhibit A](#)) showcases the states in which governors have proposed tax reform in their state of the state addresses. While not all governors have given their address, as of last week, at least 13 governors have signaled their desire to cut taxes in the upcoming legislative session. However, the degree to which these policy goals would translate in legislation remains to be seen.

SENATOR NEAL:

You mentioned that over time, corporate taxes have lowered but sales taxes have been maintained or increased. In a way, the tax burden has been shifted. There has been some national conversation about "poverty tax." Corporations are being helped but there is a sales tax on consumer activity. What is the impact of considering a poverty tax? How would it be uniform and equitable? What do poverty taxes do?

For example, relief to seniors. How would a tax of that sort work, because not all seniors are equal? In Nevada, there are a lot of seniors that are financially stable and in good positions and some that are not. How would you consider placing a poverty tax relief program for seniors when there are discrepancies within wages?

MR. SYVERSON:

It is difficult to operationalize what a poverty tax is, especially in the case of Nevada which does not have an income tax. Regarding how other states are addressing low- or moderate-income wage earners or senior citizens without incomes, there have been several routes. Some states target property tax relief, reducing the amount that senior homeowners pay. Other states provide some exemptions relating to goods that are commonly purchased for those specific populations.

Regarding an overall poverty tax, it is a very conceptual idea right now in states. It is difficult to understand how it would translate to states who do not impose income taxes. A lot of other aspects of poverty taxes include tax credits like the EITC, which provide either credits against taxes owed or refundable tax credits to wage earners to offer them more of their income back as it relates to the tax code. It is highly conceptual. Many of these programs would be targeted towards specific populations.

SENATOR NEAL:

I ask because the American Association of Retired Persons has been advocating for a senior relief tax program. Just because Nevada does not have an income tax, it does not mean that its seniors do not need something, I just do not know what that “something” is.

Regarding tax relief within corporations, there has been a conversation nationally about taxing business inputs. What falls into the category of business inputs? What is the range? If a corporation was to say, “do not tax my business inputs,” what would be the list of the things that are excluded?

MR. SYVERSON:

That is an important question to consider because that is a common refrain. Taxing business inputs is considered to be tax pyramiding by tax analysts. Additionally, it is often thought that taxing business inputs should be avoided to avoid duplicate taxation and achieve tax fairness across the system in which businesses are being taxed. There are exemptions or credits provided for certain business inputs, such as exemptions or credits that states offer to business wholesalers, that are sometimes referred to as inputs. It depends on the industry.

I will follow up with a written response to discuss more about what business inputs could be defined as relating to various industries as well as how to pose questions that are more targeted towards the industries that you are interested in.

SENATOR NEAL:

There have been many conversations regarding businesses in the digital goods industry not wanting their business inputs taxed, but I am unsure of what the implications of not doing so are.

ASSEMBLYMAN O’NEILL:

Page 13 ([Exhibit A](#)) shows the states that reduced their income tax; however, as I recall, Florida and Texas do not have a personal income tax.

MR. SYVERSON:

You are correct. New Hampshire and Tennessee are the only two states that do not impose an income tax on individuals because they have taxes on capital gains that are usually included in income tax. But yes, Texas and Florida should not be included with the states who enacted tax cuts. That is my mistake.

ASSEMBLYMAN O'NEILL:

Besides Nevada, what other states do not have a personal income tax?

MR. SYVERSON:

Alaska, Florida, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming do not have a personal income tax. Montana does not levy a state sales tax as well as a few other states like Oregon.

ASSEMBLYWOMAN CONSIDINE:

Regarding property tax relief, you mentioned that circuit breaker tax credits can provide assistance or tax relief to renters. Can you expand on that? I am curious how the process works considering that the renters are not the property owners.

MR. SYVERSON:

It depends. Ultimately, instead of using property taxes as it relates to income, the renters are indexing their rental payments. This is provided in the form of a tax credit, usually as an income tax credit to rental payers as it relates to their percentage of income versus how much they are spending on the rent as it relates to their home. It is similar for property taxpayers, which are usually homeowners. There are a few programs that provide relief directly to the property owner, who are then expected to pass on that relief to renters. Most of these programs, however, are a little bit older and are targeted to the rental payers in the form of an income tax credit.

ASSEMBLYWOMAN CONSIDINE:

Which states are currently doing this?

MR. SYVERSON:

There are only 11 states doing this; however, I do not have that information now. I will follow up with you and provide detailed information.

CHAIR BACKUS:

This last session, the Legislature expanded the property tax exemption to types of affordable housing receiving certain benefits, such as tax credits, before it was limited. Do the circuit breaker tax credits for renters extend also to single-family residences that are rented out by the owner?

MR. SYVERSON:

I would have to check the varying state policies, but it probably includes all rental properties. As I mentioned, the primary index is the person's income; therefore, if a person can rent a single-family home and has an income that qualifies for the circuit breaker programs, then most likely, yes.

CHAIR BACKUS:

The Committee looks forward to receiving the information regarding the questions asked by Senator Neal and Assemblywoman Considine.

There was no further discussion on this item.

VI. PRESENTATION ON THE TAX CHANGES APPROVED BY THE LEGISLATURE DURING THE 2023 SESSION AND THE ECONOMIC FORUM MAY 1, 2023, FORECAST FOR FY 2023, FY 2024, AND FY 2025, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2023 SESSION AND THE 34TH AND 35TH SPECIAL SESSIONS.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

As a disclaimer, those presenting from the LCB are nonpartisan staff working for all 63 legislators regardless of house and party. If any members of the Legislature have questions about tax, revenue, and budget issues, the questions can be sent to the Fiscal Analysis Division.

Beginning on page 31 of the packet ([Exhibit A](#)) is the Economic Forum's May 2023 forecast. The Economic Forum approves forecasts immediately before session and during session. The December forecast is used by the Governor in building The Executive Budget and the May forecast is used by the Legislature for approving a budget for the upcoming biennium. After a legislative session, Economic Forum staff within the Fiscal Division will revise the May forecast based on legislative actions that were approved during session or any special sessions as appropriate.

The first several pages of Agenda Item VI are the adjusted May forecast for the Economic Forum based on the legislative actions approved during the 82nd (2023) Legislature as well as the 35th (2023) Special Session. Pages 31, 32, and 33 ([Exhibit A](#)) are the taxes that are part of the unrestricted General Fund, such as the State 2% Sales and Use Tax,

the gaming taxes, the Modified Business Tax (MBT), the Insurance Premium Tax, the Real Property Transfer Tax, and others. These taxes are predominantly revenues that are collected by the Department of Taxation, but the gaming taxes are collected through the Nevada Gaming Control Board. The bottom line of the table on page 33 ([Exhibit A](#)) shows the forecasts of total taxes after tax credits of between \$5.2 billion and \$5.4 billion per fiscal year.

On page 34 of the packet ([Exhibit A](#)) are licenses and fees and fines, which are collected by some of the other agencies and deposited into the State General Fund. Some of the licenses under the Licenses category are collected by the Office of the Secretary of State (SOS), the Real Estate Division of the Department of Business and Industry (B&I), and the Nevada Athletic Commission. Under the Fees and Fines category, some fees and fines are from the Real Estate Division, the Short-Term Car Lease Fee is from the Department of Taxation, and some other fees pertain to the State Engineer of the Nevada Division of Water Resources, the Supreme Court, and others.

On page 35 ([Exhibit A](#)) is the Use of Money and Property category, of which the top half are predominantly repayments. There is legislation passed just about every session where the State General Fund essentially loans money to an agency for a specific purpose and there is a repayment of that loan. Most of the repayments are dealing with the agency formerly known as the Division of Enterprise Information Technology Services (EITS) from the Department of Administration. The last one listed under repayments pertains to the City of North Las Vegas repayment for the Windsor Park relocation, which was approved through Senate Bill (S.B.) 450 of the 82nd (2023) Legislature, sponsored by Senator Neal. At the bottom of the Use of Money and Property category is interest income, specifically from the Office of the State Treasurer who administers that income based on the investable balance that the state has.

Lastly, the Other Revenue category pertains to basically anything else that did not necessarily fall into the previous categories, such as Hoover Dam revenue, which is an annual payment made by the federal government for Hoover Dam. From my recollection, payments for the Hoover Dam have been made since the 1930s when the dam was originally constructed. Miscellaneous sales and refunds are also shown on page 35 of ([Exhibit A](#)), with the bottom line showing that between \$5.7 billion to about \$5.9 billion of total revenue is collected per fiscal year.

Pages 36 through 40 ([Exhibit A](#)) are footnotes that discuss various adjustments that were made and the legislative actions that were taken that affected the State General Fund, starting with the 80th (2019) Legislature. On page 39 ([Exhibit A](#)) are explanations and legislative actions that affected tax credits. Listed at the bottom of page 40 ([Exhibit A](#)) is the most recent legislative action, S.B. 1 of the 35th (2023) Special Session, relating to the transferable tax credits that will be issued for the baseball stadium to be constructed at the southeast corner of Las Vegas Boulevard and Tropicana Avenue in Clark County.

Starting on page 41 ([Exhibit A](#)) are tables that Fiscal Division staff put together for the *Nevada Legislative Appropriations Report*, November 2023. This information is a bit

duplicative of what the division provided to the Economic Forum, but I wanted to provide a brief overview. Table 1 shows the Economic Forum's forecast before tax credits and without adjustments approved by the Legislature. Each tax credit is briefly explained, and their revenue amounts are shown subtracted from the forecast approved by the Economic Forum. The table starts with the Commerce Tax Credit, which allows a business to use up to 50% of their Commerce Tax liability in a fiscal year against their MBT liability in the following fiscal year. Table 1 also shows other tax credit programs that were approved by the Legislature, starting with the Transferable Film Tax Credit program that was originally approved in S.B. 165 of the 77th (2013) Legislature.

Page 42 ([Exhibit A](#)) shows the Economic Development Transferable Tax Credits, which were originally approved in S.B. 1 of the 29th (2015) Special Session. Those tax credits were supposed to be for the Faraday Future project at Apex Industrial Park in North Las Vegas. That project did not go forward; however, some of those tax credits were approved by the Interim Finance Committee (IFC) right before session and that is the amount shown.

Page 43 ([Exhibit A](#)) provides an overview of the Nevada Educational Choice Scholarship Tax Credit program and the various ongoing changes, as well as the forecasts for those tax credits for FY 2023, FY 2024, and FY 2025.

On page 44 ([Exhibit A](#)) is the Nevada New Markets Job Act Tax Credit program, which was originally authorized during the 77th (2013) Legislature and reauthorized for another period during the 80th (2019) Legislature. There was legislation that was approved during the 82nd (2023) Legislature that will begin the program again starting in FY 2027.

Some of the other smaller tax credit programs are listed on page 45 ([Exhibit A](#)), such as:

- The Catalyst Account Transferable Tax Credit program, which is, to my understanding, not currently being used by the Governor's Office of Economic Development (GOED).
- The College Savings Plan Employer Matching Employee Contribution Tax Credit program, which is administered by the Office of the State Treasurer.
- The Affordable Housing Transferable Tax Credit program, which is administered by the B&I Housing Division.

Finally, on page 46 ([Exhibit A](#)) is the total of all other tax credits approved by the Economic Forum, which is the forecast after tax credits and without adjustments for legislative actions.

Table 2 begins on page 47 ([Exhibit A](#)). The first bill that is listed under the Taxes category, S.B. 124 of 82nd (2023) Legislature, dealt with the Net Proceeds of Minerals Tax. This bill was approved by the Legislature and signed by the Governor very early during session in February 2023 and amended provisions originally approved in S.B. 3 of the 31st (2020) Special Session, which happened during the pandemic. Because of the pandemic, there were concerns about the budget and revenue during that special session. Senate Bill 3 (2020) required the prepayment of the State General Fund portion

of the Net Proceeds of Minerals Tax for FY 2021, FY 2022, and FY 2023 based on each mine's estimated proceeds during each of those calendar years. With S.B. 124 (2023), the Legislature decided mines did not have to make the estimated payment in FY 2023 and, instead, had to true up their previous estimated payment based on actual activity.

Part of the reason why this switch for FY 2023 occurred is due to the passage of Assembly Bill (A.B.) 495 of the 81st (2021) Legislature, which stated that instead of having the Net Proceeds of Minerals Tax go to the General Fund, it would instead be deposited into the State Education Fund, ensuring that money would go to K-12 education. There is no estimated impact for this tax shown in Table 2 because it was current law when the Economic Forum met on May 1, 2023, and the tax was already built into the Fiscal Analysis Division's forecast, which was approximately \$1.4 million for FY 2023. Because the tax is now deposited in the State Education Fund beginning in FY 2024, there is no forecast, and the Fiscal Analysis Division did not have to make any adjustments regarding the tax.

Next, S.B. 428 of the 82nd (2023) Legislature requires the submission of a question on the November 2024 General Election ballot seeking approval to amend the Sales and Use Tax Act of 1955 to provide an exemption from the State 2% Sales and Use Tax and local taxes for adult and children's diapers, which would become effective if the ballot question is passed on January 1, 2025, and would remain in effect until December 31, 2050. The effect on the General Fund is not known because it requires the ballot question to be passed, but it is on Table 2 as an action that will possibly affect General Fund revenue going forward, especially in the last half of FY 2025.

The last bill discussed on page 47 of ([Exhibit A](#)) is S.B. 266 of the 82nd (2023) Legislature, which excludes entry fees for certain contests run by gaming establishments from the percentage fees on gross gaming revenue. This is a bill that did not come through the revenue committees and does not have a significant impact on the State General Fund because the entry fees did not constitute very much in terms of what is considered gross gaming revenue for the purposes of that tax.

Next is S.B. 435 of the 82nd (2023) Legislature discussed on page 48 ([Exhibit A](#)), which deals with the Insurance Premium Tax (IPT). Specifically, the bill deals with a provider tax that may be imposed by the Division of Health Care Financing and Policy (DHCFP) of the Department of Health and Human Services against certain providers. If such a tax is to be imposed, the proceeds from the tax must be used to provide certain support services under Nevada Medicaid. Ultimately, that means that if the tax is to be imposed—and it is my understanding that the tax will be imposed at some point soon—the proceeds that are used for Medicaid services will have an impact upon the IPT. The capitation payments that are made to the Medicaid managed care organizations are considered net premiums for the purposes of the IPT and therefore would increase revenue. However, at this time, there is no way to calculate what the impact would be because the rate is not yet known. Once that is established, there may be some more IPT revenues, but it is unknown how much that may possibly be.

The next bill is A.B. 448 of the 82nd (2023) Legislature, which deals with the Real Property Transfer Tax (RPTT). The bill was sponsored by Assemblyman Yeager and clarifies that the exemption from the RPTT for certain businesses for mere changes in identity, form, or place of organization does not apply if the business entity to which the real property is transferred was formed for the purposes of avoiding those taxes, effective upon passage and approval. Currently, there are no estimates because Fiscal staff is waiting for the Department of Taxation to impose or adopt regulations relating to A.B. 448. Discussions with the Department of Taxation within the last week have indicated that it is still working on that regulation process. The department does have an affidavit and some forms that it is working on with the county recorders in terms of enforcing the provisions of A.B. 448 until it gets those regulations into place. However, as of right now, there is not any additional information beyond that.

Next is S.B. 452 of the 82nd (2023) Legislature which deals with the Governmental Services Tax (GST), specifically the portion of the GST that was originally approved through S.B. 429 of the 75th (2009) Legislature, which increased the depreciation schedule for all vehicles by 10%, with the exception of new vehicles which are already at 100% on the depreciation schedule, and took that 10% increment and originally put it into the State General Fund for several fiscal years with the idea of eventually putting it into the State Highway fund. There were several pieces of legislation between 2009 and 2023 that shifted those percentages around but S.B. 452 finally took what was under current law—25% to the State General Fund and 75% to the State Highway Fund—and changed them so that 100% of the GST proceeds went to the State Highway Fund and none to the State General Fund beginning in FY 2024.

The last bill under the Taxes category is A.B. 232 of the 82nd (2023) Legislature, which deals with the Other Tobacco Tax. This tax is imposed on tobacco products other than cigarettes at a rate of 30% of the wholesale price. Further, tobacco that is designated as a premium cigar, instead of being taxed at 30%, cannot be taxed at less than 30 cents per cigar or more than 50 cents per cigar. If the 30% calculation of the tax goes below or above those amounts, it is forced within that range. The estimates of this action were a loss of approximately \$1 million per fiscal year.

Finally, the net impact of total taxes is a reduction of approximately \$30 million to \$31 million per fiscal year for the 2023-25 biennium, as shown on the bottom of page 48 ([Exhibit A](#)).

ASSEMBLYWOMAN CONSIDINE:

On page 35 ([Exhibit A](#)), under Other Revenue, Miscellaneous Sales and Refunds, the first line is Expired Slot Machine Wagering Vouchers, whose revenue seems very high. Is that the tax-based amount or the full amount of the Expired Slot Machine Wagering Voucher funds?

MR. NAKAMOTO:

To my recollection, the Nevada Gaming Control Board specifies the wagering vouchers that a person gets from a slot machine expire after 180 days. After the voucher expires, the gaming establishment is required to turn over 75% of those proceeds to the state, with the 25% remaining with the gaming establishment. The amount shown on page 35 is the 75% that Nevada has received. The funds from unredeemed vouchers, even if it is pennies or a couple of dollars, adds up over time.

CHAIR BACKUS:

On page 35, under Use of Money and Property, for Treasurer's Interest Income, General Ledger (G/L) 3290, there was about \$24 million in revenue from interest income in FY 2022, then there is a significant jump in FY 2023, which starts tailoring off in FY 2024 and FY 2025. Are interest incomes from the federal government, such as ARPA and COVID-19 relief funds, included in that revenue?

MR. NAKAMOTO:

Yes, there is a lot of money that the state has received from the federal government for Coronavirus relief through ARPA. The interest that is received from that money is credited to the State General Fund. Therefore, the \$24.2 million interest income shown for FY 2022 on page 35 has a little bit to do with receiving that money. This amount also had to do with the interest rate conditions because, in addition to having received a significant amount of federal money that is to be doled out by the end of calendar year 2026, the interest rates have been very favorable for the State Treasurer to invest the balance, not only in the General Fund but in other funds as well. That is the reason for the forecasts to increase decidedly in FY 2023, FY 2024, and FY 2025. As the money is spent and as interest rates decrease, that revenue source can be expected to go back to what is more of a historical normal, which is the FY 2020, FY 2021, and FY 2022 amounts or maybe a little bit more than that.

ASSEMBLYMAN ORENTLICHER:

It looks like the College Savings Plan Tax Credit program is hardly being used at all. Is there only one employer offering the program to one employee?

MR. NAKAMOTO:

As listed on page 35 ([Exhibit A](#)), the actual revenue for the program for FY 2021 and FY 2022 was around \$500 a year. The maximum credit that can be offered through the program is \$500. I have not confirmed this with the Office of the State Treasurer, but it seems to me that there may only be one person participating in the program.

ASSEMBLYMAN ORENTLICHER:

It looks like 1% of total revenues to the State General Fund can be attributed to tax credits, but the Commerce Tax Credit seems to be separate. Is it that 1% of revenue comes from the Commerce Tax Credit and 1% comes from all other tax credits?

MR. NAKAMOTO:

That is correct. After the 78th (2015) Legislature, the Commerce Tax Credit was broken out separately from the other tax credit programs because it is a function of the tax code, in that it is a specific reduction against the MBT, whereas the other tax credits are programs that are for special purposes that may go against multiple revenues. For example, the Film Tax Transferrable Tax Credits can be used against the MBT, the gaming percentage fee, or the IPT; throughout the history of the credits, they have been taken against all three of those taxes. When you add the Commerce Tax Credit and all other credits together, it is about 2% of total General Fund revenue that gets lost due to tax credits.

ASSEMBLYMAN ORENTLICHER:

In terms of uncollected taxes, is there an area where there are people who should be paying taxes who are not that would result in a significant amount of money that the Legislature might focus on?

MR. NAKAMOTO:

There are periods of tax amnesty where people who have uncollected taxes can pay them without penalties and interest for a certain amount of time; for example, one period was run during the pandemic by the Department of Taxation. It was thought that the periods of tax amnesty would bring into the General Fund somewhere around \$14 million; however, it brought in far less than that, bringing in about \$4 million or \$5 million. I can follow up with the Department of Taxation on how much the amount was.

In terms of other taxes or the things that the Legislature could address, as your nonpartisan staff, I do not think that it is appropriate for me to comment in that direction.

SENATOR NEAL:

Regarding S.B. 435 (2023), has the DHCFP passed the regulation to try to get an assessment? In trying to understand what provisions trigger this assessment from the private hospitals, it sounds like the assessment comes from money that the hospitals are generating, but DHCFP needed to pass a regulation to determine how much can be taken from the revenue generated to form an assessment. Has there been movement on this policy?

MR. NAKAMOTO:

Before Christmas, I had a conversation with Fiscal Analysis Division staff who deal with Nevada Medicaid. My understanding was that there was movement towards getting the regulations done and that is what DHCFP is waiting on. I will follow up and get an answer for you on what the status of the provider tax is and what the regulations to support it are.

SENATOR NEAL:

Yes, please, because S.B. 435 (2023) became effective on June 12, 2023, and it is now the end of January 2024.

Assembly Bill 45 of the 82nd (2023) Legislature contains language regarding the Account for Student Loan Repayment for Providers of Health Care in Underserved Communities and deals with the \$7.6 million that goes into the Millennium Scholarship Trust Fund. How much money is being generated from the bill so that leftover amounts can go to the account?

MR. NAKAMOTO:

Unclaimed Property, G/L 3255, is listed on page 35 ([Exhibit A](#)). It is the last revenue listed before Total Other Revenue. The forecasted amount of Unclaimed Property revenue that is net of transfers into the account is \$42.1 million in FY 2023, \$39.4 million in FY 2024, and \$39.6 million in FY 2025, which is sufficient revenue to make all those transfers and then have leftover revenue for the State General Fund.

SENATOR NEAL:

Has there been any disbursement from the Account for Student Loan Repayment for Providers of Health Care in Underserved Communities?

MR. NAKAMOTO:

I will have to look in the Office of the State Controller's system to see whether those transfers have occurred yet and I will get back to you.

Continuing Table 2 on page 48 ([Exhibit A](#)), under the Licenses category, A.B. 260 of the 82nd (2023) Legislature is discussed, which was sponsored by Assemblyman O'Neill. The bill provides an exemption from certain fees from the SOS under Title 7 of the *Nevada Revised Statutes* (NRS) pertaining to veterans services organizations, and it took effect on January 1, 2024. Assembly Bill 260 has had a minimal effect on the State General Fund because there are not many veterans services organizations based on information provided by the SOS.

On page 49 ([Exhibit A](#)), under the Fees and Fines category is S.B. 145 of the 82nd (2023) Legislature, which made some changes to the fine structure that can be imposed by the Office of the Labor Commissioner for violations of provisions relating to misclassification of employees by an employer, removing the first offense fine of \$2,500. The Labor Commissioner estimated that there were approximately four of these fines that were levied per year, so the bill results in a reduction of about \$10,000 per year to the State General Fund.

Under the Use of Money and Property category on page 49 are EITS repayments. The first four of those repayments are noted as legislative actions from the 82nd (2023) Legislature, but there is no revenue involved with them because the repayment is not supposed to take effect until FY 2026 in the next biennium.

Senate Bill 450 (2023), which was sponsored by Senator Neal, provided a General Fund appropriation of \$12 million to the Housing Division for the Windsor Park relocation in the City of North Las Vegas. The repayment of those funds is withholding of \$250,000 per month of North Las Vegas's Consolidated Tax revenue until the \$12 million is paid off. That is to take effect starting in FY 2024, with \$3 million per year, and will go through FY 2027; this is \$250,000 per month for 12 months, which adds up to the \$3 million.

On page 50 ([Exhibit A](#)), under the Other Revenue category, is the Court Administrative Assessment Fee that is imposed by districts and municipal courts relating to certain violations. Previously, \$5 of this fee would go to the State General Fund with the remaining portion being used to support various programs within the Office of Court Administrator, the Department of Public Safety's Central Repository for Nevada Records of Criminal History, and others. The Legislature approved Senate Bill 448 during the 82nd (2023) Legislature, which directs the balance of the assessment fee to the State General Fund instead. The Legislature decided to fund those programs through direct appropriations. Therefore, there is not an increase in the fee, as the money is just being shifted around. The money that would have gone to the programs is now going to the State General Fund in the amount of approximately \$15.6 million per year.

The Cost Recovery Plan discussed on page 50 pertains to the Statewide Cost Allocation, which is money that is part of the state budget that is essentially returned to the State General Fund before being adjusted at the end of each legislative session. Once the legislatively approved budget is finalized, there is a final amount, which resulted in a reduction for this forecast cycle.

Lastly, there is Unclaimed Property. Assembly Bill 45 (2023), which Senator Neal asked about earlier, requires additional transfers from the Abandoned Property Trust Account that would have otherwise gone to the State General Fund to now go to various purposes in addition to the \$7.6 million dollars per year that goes to the Millennium Scholarship Trust Fund.

The result of the legislative adjustments from these actions was a reduction of approximately \$15.3 million in revenue in FY 2024 and approximately \$16.2 million in

revenue in FY 2025. This led to the forecast shown on the bottom of page 50 before tax credits and with adjustments for measures approved by the Legislature in the 35th (2023) Special Session.

The next page of Table 2 (page 51, [Exhibit A](#)) discusses tax credit programs and the Commerce Tax Credit. There are two pieces of legislation that adjust the tax credit programs. The first is S.B. 240 of the 82nd (2023) Legislature, which was sponsored by Senator Neal. The bill dealt with the Nevada New Markets Jobs Act, making various changes to that program effective July 1, 2024. However, due to the way the process is set up, none of the tax credits may be used against the IPT until the beginning of FY 2027, so there is no estimated impact from the bill for this biennium. That was done by design because of the previous legislation from the 80th (2019) Legislature, which has credits running through FY 2026.

The second bill discussed is S.B. 1 of the 35th (2023) Special Session which dealt with the baseball stadium in Clark County. Beginning in FY 2026, the developers of that project are eligible to receive \$36 million per year in transferable tax credits for a period of five years. That, again, does not affect this biennium, but it is noted as a legislative action that will affect the General Fund beginning in FY 2026.

The last part of Table 2 is shown on page 53 ([Exhibit A](#)) and discusses the State Education Fund, with S.B. 124 (2023) being listed there as well because it affects the Net Proceeds of Minerals Tax, which goes to the State Education Fund beginning in FY 2024. Then, regarding State Department of Agriculture fines, A.B. 523 of the 82nd (2023) Legislature increased revenue to the State Education Fund by approximately \$11,000. The total bottom line for those two significant funds is approximately \$15.3 million in FY 2024 and \$16.2 million in FY 2025.

Table 3 is shown on pages 55 through 61 ([Exhibit A](#)) and examines the tax credit programs and the legislatively adjusted forecasts, which were the forecasts approved by the Legislature. On page 61 is the write-up of the Baseball Stadium Project Transferrable Tax Credits.

The last part of Agenda Item VI that is included in the meeting packet is the Tax Policy Section of the *Nevada Legislative Appropriations Report*, November 2023. After the legislative session ends, Fiscal staff goes through all the legislation that may have affected taxes or other revenue. This includes not only the legislation that was approved by the Senate Committee on Revenue and Economic Development or the Assembly Committee on Revenue, but anything that may have affected taxes, revenues, or other important fiscal policies that the Legislature approved.

Pages 63 through 68 ([Exhibit A](#)) describe several bills that affected state revenue and taxes, many of which were seen in the revenue committees during the 82nd (2023) Legislature. For example, on the bottom of page 65 ([Exhibit A](#)) is A.B. 232 (2023), which dealt with premium cigars. However, there are some other bills that were included in this section that were not seen in the revenue committees. For example, Assembly Joint

Resolution 5 of the 82nd (2023) Legislature, which is the question to amend the *Nevada Constitution* regarding a state lottery, or A.B. 45 (2023) relating to unclaimed property. Page 66 ([Exhibit A](#)) describes A.B. 430 of the 82nd (2023) Legislature, which made various changes to the cannabis tax. It was sponsored by the Assembly Committee on Revenue, passed, and became effective on January 1, 2024. These are bills that may be relevant to the State General Fund, the State Education Fund, or to other funds or accounts within the state, and they may have been bills sponsored by the Senate Committee on Finance, the Assembly Committee on Ways and Means, or another legislative committee.

Starting on page 69 ([Exhibit A](#)) are bills dealing with technical and administrative changes to various tax laws or things that may affect tax laws. For example, on page 71 ([Exhibit A](#)) is S.B. 50 of the 82nd (2023) Legislature, which was brought forward by the Department of Taxation to revise the sales tax holiday for Nevada National Guard members.

On page 72 ([Exhibit A](#)) are bills regarding tax credits, exemptions, abatements, and postponements. For example, at the bottom of page 72 is S.B. 429 of the 82nd (2023) Legislature which dealt with the abatement provisions in NRS 360.750 relating to employees receiving Family and Medical Leave Act benefits that was originally vetoed by Governor Joe Lombardo, but then the provisions were brought back in S.B. 1 of the 35th (2023) Special Session relating to the baseball stadium. Page 73 ([Exhibit A](#)) also describes a write-up on the baseball stadium because of the tax credits that were involved.

Page 74 ([Exhibit A](#)) describes bills regarding state and local economic development, such as bills that deal with the Governor's Office of Workforce Innovation and GOED and various bills that were heard primarily in the revenue committees during the 82nd (2023) Legislature. For example, at the end of page 76 ([Exhibit A](#)) is S.B. 240 (2023) that deals with the Nevada New Markets Jobs Act.

Bills dealing with local government taxes and revenue are on page 77 ([Exhibit A](#)). Where appropriate, there are notes about various things that happen with each bill. For example, A.B. 359 of the 82nd (2023) Legislature, sponsored by Assemblywoman Monroe-Moreno, relates to the fuel tax indexing in Clark County and the ballot question that is currently required with that. The bill was vetoed by Governor Lombardo and is one of three bills that were relevant to the revenue committees and were vetoed by the Governor during the 82nd (2023) Legislature. Lastly, on page 79 ([Exhibit A](#)), is S.B. 450 (2023) dealing with Windsor Park.

During the January 18, 2024, meeting of the Joint Interim Standing Committee on Commerce and Labor, there was an agenda item relating to the bills that were vetoed last session. I thought it would be interesting to go through a high-level recap of what the revenue committees did this last session. The Assembly Committee on Revenue heard a total of 40 bills, of which 30 were Assembly bills. Of those 30 Assembly bills: 11 were passed and signed by the Governor; 18 failed and did not receive further consideration at any point; and 1 was vetoed, A.B. 359 (2023). Additionally, there were two resolutions that were considered and neither of those received further consideration by either the

Senate nor the Assembly. The Senate Committee on Revenue and Economic Development heard 27 Senate bills, of which 7 were passed, 18 did not receive further consideration, and 2 were passed by both houses of the Legislature and subsequently vetoed. I mentioned S.B. 429 (2023), which was vetoed by the Governor and then brought back as part of S.B. 1 of the 35th (2023) Special Session. The other bill that was approved by both houses of the Legislature and then subsequently vetoed was S.B. 400 of the 82nd (2023) Legislature, which was sponsored by Senator Neal and dealt with homelessness and continuum of care.

There was no further discussion on this item.

VII. REPORT AND DISCUSSION ON FY 2023 ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM DECEMBER 3, 2020, MAY 4, 2021, DECEMBER 5, 2022, AND MAY 1, 2023, FORECASTS, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2023 SESSION AND THE 34TH AND 35TH SPECIAL SESSIONS.

CHRISTIAN THAUER (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

On page 81 ([Exhibit A](#)) is Table 1 which compares actual revenue collections with adjusted forecasts for selected major and non-major revenue sources for FY 2023. Looking at the column structure of the table, there are a total of four different forecasts for FY 2023, with two forecasts per cycle. On the left-hand side are the December 3, 2020, and May 4, 2021, Economic Forum forecasts for FY 2023 as the second fiscal year of the 2021-23 biennium. These forecasts projected revenues for FY 2023, which was two years in the future. Towards the right-hand side of the table are the December 5, 2022, and the May 1, 2023, Economic Forum forecasts for FY 2023 as the current fiscal year.

These current year forecasts made projections on General Fund revenues for FY 2023 based on up to eight months of actual revenues already received in FY 2023 and are thus forecasting the remaining month of the ongoing year. Moving from the left to the right columns in Table 1, the variance between forecasts and actual revenue collections tend to decrease. Forecasting the remainder of the year based on actual revenues already received in that year tends to come with a higher forecast accuracy than forecasting revenues two years in the future. Also, as a reminder, the December 2020 and May 2021 forecasts were made under the impression of the COVID-19 pandemic-induced economic disruptions and the associated significant uncertainty as to the economic situation in the years ahead.

The first set of rows in Table 1 show the actual and forecast revenues for the State 2% Sales and Use Tax for FY 2023, with the actual collection of approximately \$1.722 billion in bold. Underneath, there is a row with the Economic Forum forecast for FY 2023 and information on the difference between the forecasts and the actual collections. In the rows under the Economic Forum forecast are forecasts from the agency, the Fiscal Division, the Budget Division, and Moody's Analytics (Moody's) as presented at the respective Economic Forum meetings.

While the Economic Forum decides on the forecasts, it does so against the background of forecasts presented during the Economic Forum meetings by forecasters from respective state agencies such as the Fiscal Analysis Division of the LCB, the Budget Division of the Office of Finance within the Office of the Governor, and Moody's. Moody's provides forecasts only for the State of Nevada's two most-significant revenue sources: the State 2% Sales and Use Tax and the Gaming Percentage Fee Tax. Underneath the State 2% Sales and Use Tax, Table 1 also features the Gaming Percentage Fee Tax, the IPT, and the Live Entertainment Taxes (LETs). On the following pages, there is information on the Commerce Tax, the MBT, the RPTT, and other major revenue sources.

On page 83 ([Exhibit A](#)), there is information on select non-major General Fund revenue sources, such as the Cigarette Tax, the Governmental Services Tax, the Business License Fee, Liquor Tax, Other Tobacco Tax, and commercial filings. On page 85 ([Exhibit A](#)), there is information on tax credit programs. Finally, on page 86 ([Exhibit A](#)) is the total General Fund revenues net of all other tax credit programs. The actual net General Fund revenues were \$5.762 billion in FY 2023, which were approximately 24% over the Economic Forum's December 2020 forecast and were about \$43.8 million or 0.76% over the Economic Forum's May 2023 forecast.

Table 2 on page 89 ([Exhibit A](#)) provides information on actual versus forecast revenue collections for FY 2023. Unlike Table 1, Table 2 only provides this information with respect to the December 2022 and May 2023 Economic Forum forecasts and does not include the two-year-ahead forecast for 2023 and does not include information on the forecast presented to the Economic Forum by different forecasters, such as forecasts from agencies, the Budget Division, the Fiscal Analysis Division, and Moody's. Table 2 instead includes a detailed account that encompasses all General Fund revenue sources. In that respect, Table 2 lists the identical revenue sources as the table that was presented under Agenda Item VI (page 31, [Exhibit A](#)) by Mr. Nakamoto. Table 2 includes the actual revenue numbers for FY 2022 and FY 2023 and the Economic Forum's December 2022 and May 2023 forecasts for FY 2023, as well as the difference between the forecasts and actual revenues per revenue source.

Table 2 describes the revenues derived from the Net Proceeds of Minerals Tax and mining taxes; sales and use taxes; commissions for the collection of local state taxes, which also are remitted to the General Fund; gaming taxes; LETs; the Commerce Tax; the Transportation Connection Excise Tax; and Cigarette Tax. Page 90 ([Exhibit A](#)) shows the MBTs. Page 91 ([Exhibit A](#)) shows the IPT and other insurance taxes. Finally, on the last line on page 93 ([Exhibit A](#)) is information on the total General Fund revenues after tax credits.

SENATOR NEAL:

Looking on page 94 ([Exhibit A](#)), what has the passage of A.B. 445 of the 80th (2019) Legislature generated for FY 2023?

MR. NAKAMOTO:

The marketplace facilitator portion of the State 2% Sales and Use Tax does not get broken out separately. A footnote was included after the 80th (2019) Legislature on page 94 to indicate that the forecast had been adjusted to take this into account. I can reach out to the Department of Taxation to gather information regarding the taxes that are collected from the businesses that are identified as marketplace facilitators.

SENATOR NEAL:

On page 81 ([Exhibit A](#)), why are there discrepancies among the forecasts for the nongaming LET increases? The agency forecast is 18.66%, the Fiscal Analysis Division forecast is 8.28%, and the Budget Division forecast is 4.80%. What are the reasons behind the discrepancies between the forecasts and why does the agency have a much higher amount forecasted for the nongaming LET?

MR. NAKAMOTO:

Because this is regarding the nongaming LET, the agency forecast is from the Department of Taxation. The Budget Division forecast comes from the division's economist at the Governor's Finance Office. I cannot speak to those forecasts but, on behalf of the Fiscal Analysis Division, staff looked at upcoming events and made assumptions on various economic conditions that may impact the FY 2023 forecast.

In the December 5, 2022, forecast, for the nongaming LET, the Fiscal Analysis Division forecast was approximately \$59 million. That was revised to \$73.3 million in the May 1, 2023, forecast, but was still \$6.6 million off from the actual collections. This happened because, for both the December and May forecasts, staff included ticket sales for Formula 1 and other events that were to take place in FY 2024. However, the tax is due and collected by the Department of Taxation and remitted to the State General Fund when the tickets for the events are sold, not when the events occur. Therefore, because tickets for certain events were sold in FY 2023, the forecast for FY 2024 was decreased and that revenue was shifted to FY 2023. As for the gap of \$6.6 million, Fiscal Analysis Division staff works with the best information that is available at the time of forecasting and sometimes the forecast is close to the actual collections and other times it may be distant.

SENATOR NEAL:

Did you over-forecast what Formula 1 was going to bring in?

MR. NAKAMOTO:

I am unsure whether Formula 1 revenue was over-forecasted. Talking about individual taxpayers or events can become a confidentiality issue. However, Formula 1 is not the only new event. There is a Super Bowl that is happening at Allegiant Stadium in a few weeks and Nevada will be collecting LET on that. The number of tickets, especially the

pricing of those tickets, for shows at the Sphere is generating a fair amount of LET. Additionally, the shows and attractions on Las Vegas Boulevard are going to generate revenue for the non-gaming LET. These are all things that the Fiscal Analysis Division considers when doing its forecast. Sometimes, however, there are estimates that do better than forecasted and the Sphere is a good example of that.

MR. THAUER:

In addition, page 89 of the meeting packet ([Exhibit A](#)) has information on the nongaming portion of the LET. The nongaming LET was basically almost to zero in FY 2021, during the pandemic, then in FY 2022 the revenues were about \$39.8 million. In FY 2023, the revenues grew to \$79.9 million, showing this tax can expand significantly. With a tax that is this dynamic in its development, it is very difficult to get an accurate forecast.

With the entertainment situation in Las Vegas, Fiscal Analysis Division staff knew there were a lot of events planned, but some of these events were still subject to some uncertainty; therefore, staff had to make some assumptions on what ticket prices would be and how many events would be taking place. With such a massively expanding tax, staff did not want to over-forecast the tax revenue. While staff did under-forecast the tax a bit, the fact that this is a dynamic tax that is difficult to project should be considered.

ASSEMBLYMAN ORENTLICHER:

Looking at the totals on pages 85 and 86 ([Exhibit A](#)) showing how the forecasts compare with the actuals, it looks like from December 2022 to May 2023 the forecasts improved by about 2%. How important is that 2% improvement from December to May? Is that a typical range change? Is there an accepted standard or confidence interval for this forecasting?

MR. NAKAMOTO:

If you asked 100 forecasters or economists, you might get 100 different answers of what their comfort levels are. To be as close to 0% as possible is ideal. The total General Fund revenue net of tax credits shown on page 86 went from a 2.85% error rate in the December 2022 forecast to 0.76% in the May 2023 forecast. In my 18 years of experience in the Fiscal Analysis Division, this is not an unreasonable change for the current fiscal year. The Fiscal Analysis Division receives the first quarter of tax collection information, such as for sales taxes, in December. By May, the division has more history to look at; therefore, staff has better information to work with.

One of the things that the Economic Forum does is track the accuracy of the forecasts. There is a report that compares all the forecasts to all the actuals. The Economic Forum strives to forecast so that the percentage difference is in the 1% range, whether positive or negative. For this forecast, if the percent difference had been -1%, it might have meant that the 82nd (2023) Legislature would have had a little bit less additional revenue for one-

shot appropriations. In contrast, having a bit more money than that would just carry forward to the next fiscal year.

SENATOR SEEVERS GANSERT:

Having the difference between forecasts fall within the 1% range is a big accomplishment given the amount of revenues the state has.

There was no further discussion on this item.

VIII. REPORT AND DISCUSSION OF FY 2024 YEAR-TO-DATE ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM MAY 1, 2023, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2023 SESSION AND THE 34TH AND 35TH SPECIAL SESSIONS.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

Tables 1 through 7 on pages 99 through 120 ([Exhibit A](#)) may look familiar as they have already been presented to the Economic Forum and the IFC. Table 1 compares the 2023 actual collections that Mr. Thauer reviewed in Agenda Item VII (page 81, [Exhibit A](#)) as well as the 2024 forecast that I briefly reviewed in Agenda Item VI (page 31, [Exhibit A](#)). The yellow column shows the FY 2023 actual forecast. Within that column, there are three other columns: (1) the actual dollar amount that was collected for that revenue source in the fiscal year; (2) the FY actual percentage change, which is what the actual percentage previously was based on comparing that number to what was actually collected for that revenue source in FY 2022; and (3) the Economic Forum's May 2023 fiscal year forecast percentage change, which is what the forecast for the Economic Forum was supposed to be.

For example, for the Sales and Use Tax, the actual percentage change was 6.7% based on the actual collections of \$1.72 billion. The Economic Forum's forecast was a growth of 8.3%. When the amount in the Economic Forum's May 2023 forecast column is larger than the amount in the FY actual percentage change column, it means actual collections came in below the forecast. In the example of the Sales and Use Tax, it was around \$19.1 million or \$19.2 million below the forecast. Similarly, looking at the Percentage Fees Tax, for the \$970.1 million collected, the actual percentage change was 0.6% compared to the Economic Forum's forecast percentage change of 0.1%. This means that the actual collections came in above the forecast in this instance by 0.5%.

Listed under the Major General Fund Revenues category are Sales and Use Tax, Percentage Fees Tax, Insurance Premium Tax, total MBTs, total LETs, Real Property Transfer Tax, and Commerce Tax. For the total MBTs, there are three subcategories: (1) nonfinancial institutions, which are any general businesses that are not a financial institution or mining company, (2) financial institutions, and (3) mining companies. The total LETs have two subcategories: (1) the gaming portion, which is administered by the

Nevada Gaming Control Board, and (2) the nongaming portion, which is administered by the Department of Taxation.

Under the Select Non-Major General Fund Revenues categories are some of the more significant minor General Fund revenues, such as the:

- Transportation Connection Excise Tax, which is commonly known as the “Uber or Lyft Tax,” but it applies to taxicabs and other common motor carriers.
- Cigarette Tax.
- Governmental Services Tax, which has been previously tracked by the Fiscal Analysis Division but based on legislative actions from last session, the forecast for FY 2024 is \$0.
- Business License Fee, which is predominantly collected by the SOS.
- Liquor Tax.
- Other Tobacco Tax.
- SOS Commercial Filings.
- SOS Securities.
- Short-Term Car Rental Tax.

The revenues from these minor General Fund revenue sources are then summed together. Then, there is the All Other General Fund Revenues category, which is basically everything else on the Economic Forum sheets that are not the specific revenues that are listed in Table 1. Finally, there is the Commerce Tax Credits. Also listed are the reductions for the tax credit programs that were previously discussed.

The green column on the right of Table 1 is the percentage of the total General Fund those revenue sources make up, both for the actual collections in FY 2023 as well as the forecast for FY 2024. The State 2% Sales and Use Tax is by far the largest portion of the State General Fund, making up 29.3% of the actual collections in FY 2023, followed by the Gaming Percentage Fees Tax and then the total MBTs.

Next is Table 2 (page 100, [Exhibit A](#)), which has the actual year-to-date revenues compared to forecast revenues before tax credits for the same revenue sources as listed in Table 1. I will note that the actual collections for FY 2023 and the forecast for FY 2024 for the IPT and the MBT are both set at \$0. The Fiscal Analysis Division received quarterly information on collections for the MBT and the IPT, but is choosing to not report the actual compared to the forecast because of some reporting issues that happened during FY 2023. Because of those reporting issues, there would be a significant distortion to the overall total, so the division chose to omit the comparison.

There were several taxpayers who made a payment, but there was no associated tax return that went along with it. When that happens, the Department of Taxation holds the payment until it can get the tax return that is associated with the payment. Therefore, the

collections in FY 2023 were short and many of the collections were then reported in the second quarter. Because a similar situation did not happen in FY 2024, there would be revenue that was not available in the first quarter of FY 2023, and it would show that the FY 2024 revenues are significantly outperforming where they actually are. Thus, when the division receives information regarding second quarter collections, it will have a comparison for the first two quarters that will provide a more reasonable comparison. For now, the division is reporting those as \$0 to not distort the comparison.

The yellow columns in Table 2 show the year-to-date actuals through the first four months of FY 2023 (reference period in parenthesis) and the peach columns show the year-to-date actuals through that same reference period in FY 2024. For example, the collections for the Sales and Use Tax for FY 2024 are up 3.6% compared to FY 2023. The first three green columns are the fiscal year-to-date forecast for FY 2024. The division takes the growth rate of what the FY 2024 forecast must be compared to the FY 2023 actual and it applies the forecast to each reference period. In this instance, based on where the Sales and Use Tax ended in FY 2023, the Sales and Use Tax for all of FY 2024 has to grow by 7.1% to meet the forecast. Therefore, each portion of that reference period also has to grow by that same amount, resulting in a fiscal year-to-date forecast of \$607.6 million. Based on that methodology, the \$588 million of actual collections is approximately \$19.6 million or 3.2% below the forecast.

The division applies that same methodology with all the revenue sources. For example, the Gaming Percentage Fees Tax is ahead of the forecast by approximately \$25.8 million through the first six months. The LET total (gaming and nongaming) is above the forecast by approximately \$27.8 million, primarily driven by the nongaming portion, which is approximately \$21.8 million above the forecast. The RPTT is approximately \$5 million below the forecast through the first quarter of FY 2024. For the Commerce Tax, the actual year-to-date collections are low as shown in Table 2. This is a revenue source that generates over \$300 million per year for the State General Fund, but the tax is not due until the end of the fiscal year—it is due around August 15, 2024. The division compares the residual late payments from FY 2023 that are credited to FY 2024 against the residual payments received in FY 2023 that were late collections for FY 2022. That is approximately \$5.7 million above the forecast, and it will vary. The total for these major General Fund revenues is approximately \$34.9 million or approximately 2.9% above the forecast.

I will note that it is early in the fiscal year for some of these revenues, such as for the Sales and Use Tax, and the Fiscal Analysis Division is still waiting to see what the revenues for November 2023 look like, as that is when the Formula 1 Las Vegas Grand Prix took place. Additionally, with respect to the Super Bowl happening in February 2024, the division will have to wait until the end of April for the Department of Taxation to share that revenue information. Therefore, these numbers are always subject to change. For example, because of the methodology it uses to forecast the LETs, the division applies the growth rate for the forecast across all the fiscal years. Because some of the special events happened early in the fiscal year, a lot of the collections that were built into the forecast for Formula 1, the Super Bowl, and the Sphere are money that has been realized earlier in the fiscal year and there may not be similar events later. Because the collections

are not uniformly distributed across the fiscal year, it may mean the actuals compared to the forecast might reduce depending on some of the activity.

The select non-major General Fund revenues did not result in huge collections. The Transportation Connection Excise Tax is approximately \$1.2 million below the forecast. The Business License Fee is approximately \$1.4 million below the forecast. The total of those is short of the forecast by approximately \$5.8 million. The forecast for the fiscal year-to-date actuals is approximately \$102 million for all other General Fund revenues. These collections are approximately \$148.7 million, about \$46.7 million above the forecast. This is almost exclusively attributable to interest income, which is approximately \$40 million above the forecast year-to-date. If one were to go back and look at quarterly collections for interest income in FY 2023, they were light in the first quarter because interest rates had not quite spiked to previous levels. Additionally, the Coronavirus money was still coming in around that point, but then the interest rates increased significantly in the last three quarters of FY 2023. As such, I would anticipate that amount will even out over the last three quarters of FY 2024. The division is observing any announcements that the Federal Reserve may make. The Federal Open Market Committee has signaled that it will potentially be reducing interest rates several times during this calendar year, which will most decidedly have an effect upon interest income.

The total General Fund revenues before tax credits are approximately \$75.8 million above the forecast year-to-date or 5%. However, for some of the reasons that I have indicated, it should not be assumed that because the tax credits are currently above the forecast, they will be \$225 million (\$75.8 million multiplied by three quarters) above the forecast at the end of the year. There are a lot of variations in the tax revenues and in how they are collected, which is something that the division continuously monitors. There are some things to consider, such as sales tax being 3.2% below the forecast. Additionally, a portion of all other General Fund revenues are gaming penalties. In July 2023, Steve Wynn was fined \$10 million by the Nevada Gaming Control Board, which was picked up in the revenue forecasts. This is in the forecast for FY 2024 for the full fiscal year, but it is not necessarily realized in the year-to-date numbers.

These tables are updated monthly, and Fiscal Analysis Division staff can keep the Committee informed of where the General Fund is year-to-date.

CHAIR BACKUS:

On Table 2 (page 100, [Exhibit A](#)), which category was premised on residual collections that were being considered and not actual revenue?

MR. NAKAMOTO:

That was the Commerce Tax, which is paid on a tax year basis that coincides with the fiscal year and is not due until the middle of August. Therefore, the money that the state receives early in the fiscal year is usually from late payments from the previous fiscal year.

CHAIR BACKUS:

Does that mean the Commerce Tax Credits will also get captured in future time periods as well?

MR. NAKAMOTO:

That is correct. The Commerce Tax Credits are a reduction against the MBT. Because the MBT is currently shown at \$0, the Commerce Tax Credits are \$0 also as a reasonable comparison.

SENATOR NEAL:

Should the Committee wait until May 2024 to decide whether there is sufficient revenue, or should it wait until December 2024 to enact measures that raise revenues?

MR. NAKAMOTO:

When the division puts together the forecasts, it strives to have as much information as possible. Considering that a lot of economic activity for which some of the forecasts were built has not occurred yet or the related information is not yet available, the division is persisting with the year-to-date forecast. For example, when the Department of Taxation shares the sales tax collections from November 2023, the division will update information on sales tax, percentage fees, and LETs on the tables and be able to provide better information through the end of January to the Committee.

There have been revenue actions that may not be keeping up with population and inflation. Interest income is something the division is currently watching because it is a factor of current interest rates being so high. Additionally, a significant amount of money that Nevada is retaining and earning interest on is Coronavirus federal aid funding that must be obligated by the end of this calendar year and expended by the end of calendar year 2026.

SENATOR NEAL:

Within the tax credit programs, did the Fiscal Analysis Division forecast the effect of geofencing? Senate Bill 1 of the 35th (2023) Special Session impacted several state revenues. Once the stadium is materialized, there will be a drop in some revenues that were coming to the state. In particular, the geofencing language of S.B. 1 was interesting, as it appears that the Oakland Athletics intend to geofence the tax credit revenue and keep it for themselves.

MR. NAKAMOTO:

No, the division has not done any analysis on geofencing as it is waiting on the determination of what the stadium's boundaries will be, but this is something the division

considers could have a potential revenue effect on the State General Fund because of the passage of S.B. 1.

SENATOR NEAL:

That may be something to consider in the future and during the 83rd (2025) Legislature. In the future, the Legislature should prescribe those boundaries instead of the Las Vegas Stadium Authority to better protect Nevada's revenue streams.

MR. NAKAMOTO:

Table 3 (page 101, [Exhibit A](#)) provides a comparison of the actual remainder of the fiscal year collections, showing what was collected during the end of FY 2023 after the reference period. It also shows what the growth rate must be to meet the forecast. Right now, the actual percentage change for the Sales and Use Tax for the last eight months was 5.2% growth compared to the last eight months of FY 2022. To meet the forecast of \$1.7 billion, Nevada would have to collect \$1.255 billion in the last eight months of FY 2024, which is an 8.8% increase in that tax. The table shows all the revenue sources and results in the total General Fund Revenues before tax credits for the rest of the fiscal year being down 3.4% compared to the forecast. That excludes the MBT and IPT, which the division is still noting as \$0 for now.

Because the Economic Forum's forecast encompasses many tax credits that apply to multiple tax sources, it does not present forecasts for the tax credits for each individual revenue source; the forecasts are aggregated. There are specific forecasts for specific revenue sources such as for the Commerce Tax Credits, the College Savings Plan Tax Credits, and the Education Choice Scholarship Tax Credits which go against the MBT, and the Nevada New Markets Job Act Tax Credits which go against the IPT. The other forecasts, however, are aggregated as a whole and not individually.

For Table 4 (page 102, [Exhibit A](#)), the actuals are forced to balance with the forecasts from Table 2. Tables 4 and 5 are very similar, but the revenues must be balanced to account for the allocation of tax credits. For example, on Table 5 (page 103, [Exhibit A](#)), the one tax type that has tax credits attached to it is the Percentage Fees Tax. Table 5 shows the dollar difference to be \$25.8 million above the forecast without factoring in the tax credits, making the numbers between Tables 4 and 5 identical for that revenue source. After the tax credits were allocated, revenues were approximately \$75.8 million above the forecast. At the end of the fiscal year, these tables have more meaning because the General Fund total can be compared to before and after tax credits being allocated, but that is hard to do for the period in between.

Table 6 on pages 104 and 105 ([Exhibit A](#)) assesses the individual revenue sources and shows which tax credits were used against those tax types. Page 104 has all the MBTs. To keep in line with the Fiscal Analysis Division not reporting any MBT actual collections for the first quarter, \$0 is shown for FY 2023 and FY 2024 for this table as well. As shown on page 105, a certain amount of the Film Transferrable Tax Credits has been used

against the percentage fees. The IPT, however, is shown as \$0 to coincide with the reporting of revenues as \$0. This is a set of tables that become more meaningful towards the end of the fiscal year when determining how tax credits are used by credit type and by revenue source.

Finally, there are footnotes on pages 106 and 107 ([Exhibit A](#)) that are largely identical to the footnotes shown on other pages, with footnotes regarding tax credit programs being shown on pages 108 and 109 ([Exhibit A](#)).

Table 7 (pages 111 through 116, [Exhibit A](#)) takes the year-to-date collections for the entire General Fund. It takes all the major revenues, all the minor revenues, and everything that is on the Economic Forum sheets and compares this with previous fiscal years. Table 7 displays information through December 31, 2022, of FY 2023 and December 31, 2023, of FY 2024. As a follow up to Senator Neal's question, I will note that on page 115 ([Exhibit A](#)) is the Treasurer's Interest Income, G/L 3290. As shown, interest was \$11.9 million through the first quarter of FY 2023 and \$54.3 million through the first quarter of FY 2024, which is due to the combination of the high investable balance and the increased interest rates. The actual collections from the Treasurer's Interest Income for FY 2023 were \$142.6 million. Again, that was a combination of interest rates and the large investable balance due to the influx of federal money that has not been spent yet. Going back to the tables presented during Agenda Item VI, as shown on page 35 ([Exhibit A](#)), the Economic Forum's FY 2024 forecast for the Treasurer's Interest Income was approximately \$170 million. If the \$54.3 million in interest continued, revenue would be above what was forecasted. As shown on page 35, the interest income is forecasted to decrease to approximately \$150 million in FY 2025, which, as that investable balance gets spent down and as interest rates reduce, is not surprising.

Interesting to note in Table 7 is that the history dating back to FY 2020 is provided. During FY 2020, there was not a lot of federal money sitting in Nevada's coffers and interest rates were much lower. As shown on page 35 ([Exhibit A](#)), the Treasurer's Interest Income was \$24.2 million in FY 2022, compared to the \$8.8 million shown for FY 2021; however, that may have been affected by the pandemic because revenues were short and interest rates were low. The Treasurer's interest income was around \$20 million in FY 2020. If I were to review the history further, often the range for this revenue source is between \$20 million and \$30 million. There were some points in FY 2007 or FY 2008, before the Great Recession, where the Treasurer's Interest Income was around \$50 million.

Something that we as forecasters are cautious about is, if this trend were to continue and if the forecasts for FY 2026 or FY 2027 were to decrease to around \$50 million a year, for example, that is \$100 million or more a year of revenue that was collected in the 2023-25 biennium that may not be available in the 2025-27 biennium, which is close to 2% of revenue per year. As nonpartisan staff, the Fiscal Analysis Division will not give recommendations on what to do related to this possibility, but the division will consider that information when building budgets and forecasting revenue for the next biennium.

There was no further discussion on this item.

IX. PRESENTATION ON PERSONAL INCOME AND WAGES IN RELATION TO POPULATION, EMPLOYMENT, AND INFLATION ON A NATIONAL LEVEL AND IN THE STATE OF NEVADA.

SUSANNA POWERS (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

The presentation for Agenda Item IX begins on page 121 ([Exhibit A](#)). Page 122 ([Exhibit A](#)) displays a chart that shows the U.S. employment levels from the year 2000 until the third quarter of 2023. The chart shows the magnitude of the impact that the three recessions had on U.S. employment levels during this time interval. The 2001 recession is often referred to as the “dotcom” recession and was relatively short and shallow. The Great Recession happened in the late 2000s and was severe and recovery from it was lengthy. Four years ago, the U.S. economy was in its longest expansion on record before it ended suddenly in the spring of 2020 when the economy fell into a recession that was triggered by the COVID-19 pandemic. Fast forward to the third quarter of 2023, the U.S. total employment level is about 4.7 million jobs above the pre-pandemic peak.

While Nevada has seen a robust recovery in many economic metrics, there are still some lingering adverse effects that were triggered by the pandemic, some of which are shown later in this presentation. The focus of this presentation is to look at the economic recovery from the pandemic as it particularly relates to income and wages.

The chart on page 123 ([Exhibit A](#)) shows total nonfarm employment in Nevada. It should be noted that this presentation was prepared early last week. At that time, the last full quarter of employment data was only available through the third quarter of 2023. Thus, through the third quarter of 2023, Nevada’s total employment is about 119,000 jobs above the pre-pandemic peak. The jobs recovery from the pandemic was not as fast as it was after the 2001 recession, but it has been much faster than after the Great Recession.

Page 124 ([Exhibit A](#)) shows the leisure and hospitality sector of employment in Nevada. This is of particular interest because Nevada was one of the states hit hardest by the pandemic, largely due to the sizeable role the tourism and hospitality industries play in its economy. While many industry sectors recovered rather quickly, payrolls in the leisure and hospitality sector only reached the pre-pandemic peak level recently. Through the third quarter, there are 5,400 more jobs when compared to the pre-pandemic peak.

Page 125 ([Exhibit A](#)) shows a comparison of employment growth rates between the U.S. and Nevada since 2001. One takeaway from this chart is that Nevada's job growth is typically higher than the national average, except during economic downturns. As shown by the blue line, Nevada has typically hovered above the red line representing the U.S., except during severe economic downturns. When measuring the employment growth since the start of the pandemic through the third quarter, Nevada's employment has recovered slightly better than that of the U.S. On average, the job growth for the U.S. has been 0.9% while the job growth for Nevada has been 2.8%.

Page 126 ([Exhibit A](#)) displays the population growth rates for the U.S. and Nevada. This is in relation to looking at population trends over the last two decades. The national population growth is historically low but has returned to the pre-pandemic trend. In recent history, Nevada has experienced one of the most favorable population trends in the nation, with migration being the primary driver, and has often been ranked among the top ten fastest growing states. While Nevada's population is growing, the growth has slowed down based on U.S. Census Bureau data.

Page 127 ([Exhibit A](#)) shows the Consumer Price Index (CPI), which is the headline inflation indicator, and selected components for the CPI. The red line represents the CPI for all items. The green line represents the CPI for food. The purple line represents the CPI for energy, which is one of the most volatile components. Finally, the blue line represents the core CPI, which covers all items, less food and energy.

The next two slides get more in detail into the pieces that have been driving the inflation rate. Page 128 ([Exhibit A](#)) shows how inflation is one of the lingering effects of the pandemic on the economy. While inflation has been trending down from the peak of 8.6% reached in mid-2022, it remains elevated at 3.2% year-over-year at the end of last year. Based on the core CPI measure, after removing the energy and food components, there is a 4% inflation rate compared to a year ago.

Page 129 ([Exhibit A](#)) shows how the energy component, shown by the purple line, has been the largest contributor to change in the CPI. However, there has been relief on this front. In the last quarter of 2023, the energy prices are down by 4% compared to the same quarter in the previous year. The food component of the CPI, represented by the green line, is up by 3% in this period.

Moving on to personal income components, page 130 ([Exhibit A](#)) shows the pieces and the respective shares of the total personal income for the U.S. through the third quarter of last year, which is the latest quarter available from the U.S. Bureau of Economic Analysis. Total personal income is comprised of wages and salaries; dividends, interest, and rent; transfer payments; supplements to wages and salaries; and proprietors' income. The largest share of personal income is wages and salaries, which is represented by the red line. Typically, this share is about 50% of all personal income. The shape of the letter "W" that formed in that red line during the pandemic period is the result of lost wages and salaries. Government transfers in the form of money income and in-kind benefits accounted for about 17% of total personal income prior to the federal government's response to the pandemic, as represented by the blue line. This share is now at around 18%. A big take away from this slide is the magnitude of the role the government transfer payments played in 2020 and 2021 in response to the lost wages and salaries due to the pandemic.

Page 131 ([Exhibit A](#)) shows that Nevada's story for personal income components is similar to the previous nationwide slide, except that: (1) the drop in the share of wages and salaries as a percent of total personal income was larger than that for the U.S.; and

(2) the increase in the share of transfer payments as a percent of total personal income in 2020 and 2021 was more pronounced than what they were for the U.S.

Page 132 ([Exhibit A](#)) shifts to U.S. total personal income and total wages and salaries. Personal income, shown by the red line, shows the two spikes coinciding with the federal stimulus package and other programs in 2020 and 2021. As a result, the typical peak-to-trough and recovery pattern associated with economic downturns is not seen; it looks more like a peak-to-peak and back-to-trend line. When compared to the first quarter of 2020, which was the last period before the pandemic started, personal income is up by 22.8%. The wages and salaries illustrated by the black line show a more typical pattern of the last peak, trough, and subsequent recovery. When compared to the pre-pandemic peak, wages and salaries are up by 23.6%.

Page 133 ([Exhibit A](#)) shows that for Nevada's total personal income and total wages and salaries, the narrative is very similar. When compared to the pre-pandemic peak, personal income is up by 27.3% and wages and salaries are up by 28.4%.

Page 134 ([Exhibit A](#)) shows the growth rates for personal income in Nevada compared to the U.S. Since the onset of the pandemic in the second quarter of 2020, Nevada's personal income growth has averaged 7.2% compared to the 6.1% for the U.S.

Page 135 ([Exhibit A](#)) shows a comparison of the growth rates for wages and salaries between Nevada and the U.S. During normal times, Nevada's wage and salary growth rate tends to outpace that of the U.S. When looking at the recent shocks of the economic system, the magnitude of the decline in wage and salary growth is deeper for Nevada than for the U.S. Since the onset of the pandemic, Nevada has outpaced the U.S. with a growth rate of 8.3% compared to a 6.3% growth rate for the U.S.

Page 136 ([Exhibit A](#)) brings in the population component and shifts to per-capita personal income for the U.S. Compared to the quarter preceding the pandemic, per-capita personal income is up by 21.4%. However, when adjusted for inflation, the growth rate is lower and is up by 2.6% during that period.

In nominal terms, Nevada's per-capita personal income is up by 23.5% since the first quarter of 2020, shown on Page 137 ([Exhibit A](#)). When adjusted for inflation, it is up by 4.4% since that period.

Page 138 ([Exhibit A](#)) shows a side-by-side comparison of per-capita personal income for the U.S. and Nevada. Nevada's per-capita personal income is trending below that of the U.S., but the nominal percent change in per-capita personal income compared to the quarter preceding the start of the pandemic is slightly higher in Nevada than in the U.S.

Page 139 ([Exhibit A](#)) shows a side-by-side comparison of inflation adjusted per-capita personal income for the U.S. and Nevada. On an inflation-adjusted basis, Nevada's per-capita personal income is also trending below that of the U.S., but the percent change

in per-capita personal income compared to the quarter preceding the start of the pandemic is slightly higher in Nevada than in the U.S.

Page 140 ([Exhibit A](#)) provides the U.S. versus Nevada per-capita personal income growth comparison. Since the onset of the pandemic, Nevada has performed slightly better than the U.S. For the last three years, the U.S. per-capita personal income growth has averaged 5.8% compared to 6.3% for Nevada.

Page 141 ([Exhibit A](#)) shows that when adjusting for inflation, the per-capita personal income growth is only 1.1% for the U.S. and 1.5% for Nevada.

Page 142 ([Exhibit A](#)) shifts to wages and salaries on a per-employee basis for the U.S. When the pandemic hit, there was a large decline in lower wage jobs leading to a somewhat sharp increase in wages and salaries per employee, seen in the data that corresponds with the year 2020. This is because the cost of the pandemic-induced recession was disproportionately borne by lower wage workers as they experienced a bigger surge of job and wage losses than those with higher incomes. As employment has recovered, there has been robust growth in employee wages and salaries. When compared to the quarter that preceded the start of the pandemic, wages and salaries per employee are up by 19.9%, yet when adjusted for inflation, wages and salaries are up only by 1.4% during that period.

On page 143 ([Exhibit A](#)), there is that same pattern of a sudden upward movement in wages and salaries per employee in Nevada in response to large losses of jobs associated with lower-wage sectors, such as leisure and hospitality. In nominal terms, Nevada wages and salaries per employee are up by 18.6% since the first quarter of 2020; however, when adjusted for the effects of inflation, wages and salaries on a per-employee basis are up by 0.3% for that period.

Page 144 ([Exhibit A](#)) shows a side-by-side comparison of wages and salaries per employee in nominal terms for the U.S. and Nevada. It is interesting to note that the widened gap between the U.S. and Nevada that occurred after the Great Recession has never narrowed.

Page 145 ([Exhibit A](#)) shows a side-by-side comparison of wages and salaries per employee on inflation-adjusted terms from quarter 1 of 2020 to quarter 3 of 2023 for the U.S. and Nevada. On an inflation-adjusted basis, the percent change in per-employee wages and salaries in Nevada since the pre-pandemic peak is almost flat.

In terms of wages and salaries per employee growth rates, Nevada is very comparable to the U.S. Looking at the last three years on page 146 ([Exhibit A](#)), the U.S. has averaged a growth rate of 5.4% compared to 5.5% for Nevada.

Page 147 ([Exhibit A](#)) shows that on an inflation-adjusted basis, wages and salaries per employee grew only by 0.7% for the U.S. and by 0.8% for Nevada.

Switching to median household income, page 148 ([Exhibit A](#)) compares the U.S. and Nevada from 2000 to 2022. There is no update for 2023 yet available. Prior to the Great Recession, Nevada's median household income exceeded that of the U.S., but it has remained below the U.S. since. This trend was briefly reversed in 2019, but Nevada again fell below the U.S. at the onset of the pandemic. Between 2019 and 2022, the median household income rose by 8.6% for the U.S. and by 2% for Nevada.

However, when adjusted for inflation, the U.S. median household income fell by 5.2% between 2019 and 2022, shown on page 149 ([Exhibit A](#)). The Nevada median household income declined by 10.9%.

Page 150 ([Exhibit A](#)) summarizes the graph that was shown on page 148, the U.S. versus Nevada comparison in terms of nominal growth rates. It just repeats the same percentages, but the graph looks different.

Page 151 ([Exhibit A](#)) summarizes the graph shown on page 149 regarding growth rate comparisons.

Page 152 ([Exhibit A](#)) shows State General Fund revenue divided by the personal income of Nevada residents in thousands of dollars. This chart is sensitive to the economic cycles and the effects of tax changes. If the blue line is moving up, then the General Fund is growing faster than personal income. If the blue line is moving down, then the personal income is rising faster than the General Fund. Nevada witnessed a decline in personal income in FY 2020 due to the pandemic. There was a slight rebound in FY 2021 that was followed by a robust increase in FY 2022 and then followed by another slight increase in FY 2023.

The last page of the presentation, page 153 ([Exhibit A](#)), shows how the General Fund revenue and personal income growth rates have performed over time. The first observation is that the trend between the two series tend to move together. The State General Fund receives a large portion of revenue from sources that are supported by personal income. The second observation is that, while Nevada had record growth in tax revenue collections in FY 2022 compared with the pre-pandemic growth trends, the peak in a General Fund growth rate, represented by the blue line, did not surpass the peak of FY 2004 that followed the 72nd (2003) Legislature when major changes were made to taxes.

CHAIR BACKUS:

Does the chart on page 148 ([Exhibit A](#)), regarding the U.S. versus Nevada median household income from 2000 to 2022, exclude those who were not actively looking to regain employment?

Ms. POWERS:

Because this is survey-based data from the U.S. Census Bureau, it can lack certain details. The bureau surveys households and asks questions about their incomes, but it does not measure workforce participation. Additionally, because it is a monthly survey of households, it does not provide a complete count of every person who may be looking for work.

SENATOR NEAL:

Do you think the increase in wages in Nevada buffered the population from the loss of the transfer payments?

MS. POWERS:

There were lost wages due to the various shutdowns in Nevada and nationwide; however, there were several federal government programs that stepped in and supplemented the lost wages. At times, federal payments were even higher than what a typical paycheck was for an average worker.

SENATOR NEAL:

The charts indicated there was some growth in wages. Anecdotally, some corporations increased their wages to attract more employees. Do you think the transfer payments that came from the federal government offset the income of Nevada residents or are some still attempting to recover? It seems that some Nevada residents received a government stimulus check that may have been more than their regular paychecks, but even though they have had growth in their wages, they may still need money to make ends meet.

MS. POWERS:

The transfer payments may have helped some Nevadans more than others, but there are also some other factors that are not considered here. It is difficult to answer that question without having data to look at. Fiscal Analysis Division staff can check to see if there is any data and get back to you with that information.

MR. NAKAMOTO:

As was shown on many of the charts, the pandemic had a drastic effect on the economy for a significant portion of the workforce in Nevada, primarily low-wage workers. Many hotels, casinos, and restaurants were forced to close or severely curtail their business activities during the pandemic. As a result, many of the transfer payments from the state and the federal government, such as unemployment benefits or stimulus payments, were higher than the wages that were paid. There were a few factors, such as increases in inflation and wages, that commenced after that. As you mentioned, many businesses had to significantly increase their wages to attract workers to come back.

Nonetheless, if you were to ask 100 people whether they are doing better now than they were during the pandemic, many will say no. However, the charts show that wages have held up well to inflation following the pandemic even with associated price increases and tax collections.

SENATOR NEAL:

The presentation from NCSL indicated that Nevada has given tax credits or exemptions to corporations to help them maintain a profit, but on the other hand, citizens are uncertain whether their wages are sufficient to support themselves. Additionally, inflation is also consuming much of the wage increases. There is hope that the federal government provides some relief so that an effective solution to combat inflation can be determined.

In a crisis, people do not look at these economic tables for an answer. People look for the government to provide a solution and increase wages. Hopefully there will be more data over the summer so that the Legislature can determine what is good policy for the state and try to help residents in ways it currently cannot, even though wages have grown.

ASSEMBLYWOMAN CONSIDINE:

In discussing income and wages for Nevada, is rental assistance considered income?

MS. POWERS:

Personal income includes transfer payments. If rental assistance is considered a part of transfer payments, it would be included. I do not have the exact definition available, but I can double-check and get back to you with that information.

MR. NAKAMOTO:

A transfer payment is a payment from the government to an individual where there is not anything expected in return. For example, social security, unemployment payments, or federal stimulus payments that was dispersed during the pandemic are considered transfer payments. If rental assistance came from the government, I believe it would fall under the definition of a transfer payment, but Ms. Powers will confirm that information.

ASSEMBLYWOMAN CONSIDINE:

I would appreciate that information specifically because a lot of transfer payments went to landlords. In talking about people who had the ability to stay in their rental because of rental payments, would that be considered as landlord income, or would that be considered as tenant income? How does that work in these graphs?

My second question is regarding Nevada's leisure and hospitality employment chart on page 124 ([Exhibit A](#)). Does the increase of 5,400 jobs include the number of jobs that were available before the pandemic plus the jobs that were added when the new resorts

opened? There does not appear to be a comparison of whether there are fewer people employed in hospitality and leisure specifically.

Ms. POWERS:

The chart on page 124 examines the number of jobs in Nevada's leisure and hospitality sector, namely in accommodations such as casino employment, food establishments, and bars. There is information on how many jobs there were before the pandemic as well as how many there were in the most recent quarter, which is a difference of 5,400 jobs.

ASSEMBLYWOMAN CONSIDINE:

Does the "5,400 jobs" that is listed on that chart mean 5,400 more positions or 5,400 more people working? Is there a net loss or balance of jobs? I ask because more leisure entities have opened but there are less positions.

Ms. POWERS:

The employment data from this chart tracks the number of jobs, not people. That is to say that if a person were to have two part-time jobs at two different casinos, for example, this data would not make that distinction.

MR. NAKAMOTO:

Because of the pandemic, a lot of establishments were obligated to operate differently and, in some instances, more efficiently. Eventually, demand has necessitated a lot of establishments to bring back more staff while others perhaps might not need the same number of staff after changing the way they operate. As Ms. Powers noted, there may be people who hold multiple jobs. Fiscal Analysis Division staff would have to acquire information regarding worker counts as opposed to employment.

There was no further discussion on this item.

X. PRESENTATION ON HISTORICAL AND FORECAST STATE GENERAL FUND REVENUE INCLUDING ON AN INFLATION ADJUSTED AND INFLATION ADJUSTED PER CAPITA BASIS.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

Agenda Item X ([Exhibit A](#)) contains one table and a series of charts that examine the State General Fund. It is an extension of some of the information that Ms. Powers provided regarding inflation and population. Specifically, it examines how inflation and population have affected the State General Fund. These tables and charts were presented at the January 26, 2022, meeting of this Committee during the 2021-22 Interim and have been updated for the Committee today.

Table 1, on page 155 ([Exhibit A](#)), examines the actual and forecasted revenues from FY 1990 through FY 2023 for the entire unrestricted State General Fund and considers population and inflation. Also included in the table is the Economic Forum's May 1, 2023, forecast adjusted for legislative actions for FY 2024 and FY 2025. All of that is shown in the first column in millions of dollars along with the percent change. At face value, one could conclude that the State General Fund is now seven times greater than it was in 1990; however, the population of the state is greater now and the General Fund is also affected by inflation. The dollar value of tax revenue that was generated in FY 1990 does not have the same purchasing power for the state agency expending that revenue in FY 2024. The state's population has nearly tripled since FY 1990. For example, the actual General Fund revenues were approximately \$802 million in FY 1990, but the statewide population was 1.2 million.

To adjust for inflation, a reference point must be set. Because FY 1990 is the beginning of the series, it is used as the reference point for this table. As shown, the CPI was set at 1.000 and the inflation-adjusted dollars per capita for the State General Fund was \$648.80 per person for FY 1990. Notice the population and inflation changes throughout the years. The population numbers are estimated by the State Demographer of the Department of Taxation who is required to certify the 20-year projections of the state's population every October. The CPI is measured by the Bureau of Labor Statistics of the U.S. Department of Labor. For FY 2024 and FY 2025, the CPI forecasts were prepared by Moody's Analytics.

For FY 2023, the actual General Fund revenues that are inflation-adjusted dollars per person are \$746.10, which is higher than in FY 1990. However, based on population and inflation forecasts, the actual General Fund revenues that are inflation-adjusted dollars per person decrease to \$695.10 for FY 2025.

For FY 1990 through FY 2025, the average growth in the State General Fund before inflation is 6.5% but, when factoring in population inflation, the average is only 0.6% per year. The State General Fund has held up well to inflation and population but there are periods where it has held better than others. The Fiscal Analysis Division monitors the productivity of the State General Fund in terms of providing services and purchasing power.

Page 156 ([Exhibit A](#)) displays the information from Table 1 on page 155 as a line graph. The red line represents population growth, the purple line represents inflation, the green line represents the sum of both population growth and inflation, and the blue line represents the General Fund revenue that was collected each fiscal year. Each fiscal year where the blue line is above the green line, the General Fund growth rate is outpacing population and inflation. Each fiscal year where the green line is above the blue line, the population and inflation are outpacing the State General Fund.

Chart 2 on page 157 ([Exhibit A](#)) essentially isolates the General Fund revenue portion of inflation-adjusted dollars. The green line with the red tail represents the actual dollars that were generated from the State General Fund. The purple line with the tan tail is the inflation-adjusted State General Fund revenue, adjusted to FY 1990. As shown, the

current actual revenue is growing faster than the inflation-adjusted revenue. There are parts where the General Fund revenue increases, decreases, and increases again. For example, from FY 2003 to FY 2004, there is large growth in both the current revenue and the inflation-adjusted revenue. During the special sessions in 2003, the Legislature started imposing the MBT and changed the Casino Entertainment Tax to the LET, which generated additional revenue and was the largest tax increase in the state's history at the time.

There is revenue growth going through FY 2007 before growth declines in FY 2008 and FY 2009 because of the Great Recession. The revenue increased again in FY 2010 and FY 2011 due to some revenue measures that were passed by the Legislature such as imposing a room tax of up to 3% through Initiative Petition 1 of the 75th (2009) Legislative Session. Room tax revenue originally went to the State General Fund but now goes to the State Education Fund. Another measure passed by the Legislature increased the depreciation schedule for the Government Services Tax to stabilize revenue during the recession.

In FY 2016, there was another increase in revenue, which was a result of tax actions taken by the 78th (2015) Legislature, namely the imposition of the Commerce Tax and increases to the MBT rates. There is a decrease in revenue in FY 2020, which was a result of the pandemic. The growth after that is not necessarily from any legislative tax actions but is a result of economic activity that has occurred in Nevada.

SENATOR NEAL:

Regarding Initiative Petition 1 (2009), is there a line representing the diversion of room tax for Allegiant Stadium?

MR. NAKAMOTO:

There was not a diversion of room tax revenue as a result of the stadium. When S.B. 1 was approved by the Legislature during the 35th (2023) Special Session, two distinct rates for the room tax were approved that were separate from any currently imposed rates: one for the stadium, and one for the expansion and improvements to the convention center. However, I can provide the history of when the room tax stopped going to the State General Fund and instead went to the State Supplemental School Support Account and then to the Distributive School Account to support education; this might explain some of the reductions in revenue in FY 2012.

Chart 3 on page 158 ([Exhibit A](#)) takes the dollar amounts that were generated for the State General Fund and divides them by the state population both in current dollar revenue and inflation-adjusted revenue. Chart 3 displays the dollar amounts shown in Chart 2 but on a per-capita basis and follows a similar pattern to the increases and decreases in Chart 2 based on revenue changes and the pandemic. In terms of inflation-adjusted General Fund revenue per capita, the state is at about 5% above where it was in FY 1990.

Chart 4 (page 159, [Exhibit A](#)) takes the information from Chart 2 and Chart 3 and puts it together in one chart. The current dollar revenues and inflation-adjusted revenues are shown in millions of dollars whereas the current dollar revenues per capita and the inflation-adjusted revenues per capita are shown as whole dollars. Again, there are similar patterns in increases and decreases based on revenue changes and the pandemic.

Chart 5 (page 160, [Exhibit A](#)) is the information from Chart 4 indexed to FY 1990. The current dollar actual revenue for FY 2025, shown as the green line with the red tail, is about 7.4 times above the General Fund index for FY 1990. However, the inflation-adjusted revenue, current dollar revenue per capita, and inflation-adjusted revenue per capita are only about 1.1 times above the General Fund index for FY 1990. Examining the purchasing power of the money and how it needs to be spent to serve the population of the state, the State General Fund is slightly better off in terms of inflation-adjusted revenue per capita than it was in FY 1990.

Chart 6 (page 161, [Exhibit A](#)) displays the inflation-adjusted General Fund revenue per capita by fiscal year and is indexed to FY 1990. From FY 1990 to FY 2003, in inflation-adjusted per capita terms, the index value was down to just below .86. In FY 2004, there were tax changes that moved the value to just above 1.14 right before the Great Recession. Because of the Great Recession, the index value declined to about .92 in FY 2009. Tax and revenue actions that occurred during the Great Recession raised the dollar value; however, those measures were temporary, and the index value declined again in FY 2014 below 1.0. Actions of the 78th (2015) Legislature brought the value back up slightly. The value fell again because of the pandemic, but recovery efforts have increased it back up to about 1.18 in FY 2022. The value again declines for the FY 2024 and FY 2025 forecasts, suggesting that in terms of inflation-adjusted revenue per capita, the General Fund is forecasted to have less productivity throughout the 2023-25 biennium.

Chart 7, on page 162 ([Exhibit A](#)), displays the actual dollars that were collected, shown as the green line. The purple line is the actual and imputed amount from increasing the FY 1990 actual by the actual population and inflation growth. Essentially, this is a different representation of the information on Chart 6. For instance, where the brown line was above 1.0 in Chart 6, the green line is higher than the purple line in Chart 7. Where the brown line is below 1.0 in Chart 6, the green line is lower than the purple line in Chart 7, meaning that the General Fund was less productive in terms of inflation and population.

The Fiscal Division examines the productivity of revenues or what makes one tax more productive than another. Often, some taxes have demographic and inflationary components built in a positive fashion. The State 2% Sales and Use Tax is a good example of that. Because the tax for the General Fund is 2%, as the price of goods increases, the amount collected increases. This can also be good from a population growth aspect, because as more people move to the state, more people are purchasing goods, and more money is collected for the State General Fund.

In comparison, the Cigarette Tax is taxed at a rate of \$1.70 per pack and does not include an inflation component. Whether the price of a pack of cigarettes is \$5 or \$10, the state only collects the same \$1.70 per pack. The tax is also not demographically favorable because people are smoking less every year. As a result, if I were to provide a history of the Cigarette Tax, a steady decline would be apparent.

Lastly, on page 163 ([Exhibit A](#)) are some example scenarios that were presented last interim during the January 26, 2022, meeting of this Committee. The scenarios show what would happen if there were program caseload increases or funding increases and how those increases would interact with inflation. For example, for Scenario 1, if there was a funding/revenue amount of \$100 per year but a caseload of only one person being supported, and there was no inflation, then the revenue is going to support the caseload.

As another example, in Scenario 4, if there was a 100% increase in funding/revenue but the caseload increased by one (increase of 50%) and there is 5% inflation, the costs go up by 5%. As a result, there is \$100 in funding/revenue for Year 1 and \$200 in funding/revenue in Year 2 because of the increase in caseload. The 5% inflation adjusts the amount of revenue/funding and causes the purchasing power to decline to about 4.8%, meaning the caseload has doubled but is being funded with the same amount of money, and the purchasing power of the money has declined.

Going forward, as the Legislature builds budgets, it should be aware of revenues that may or may not be growing with inflation or demographics, because the revenues are being used to fund programs that are driven by caseloads, inflation, demographics, or population.

SENATOR SEEVERS GANSERT:

At some point, I think it is important for the Committee to look at the overall growth of revenue to dollars spent in Nevada, as the state has received substantial federal funding and other sources of funding.

MR. NAKAMOTO:

The Fiscal Analysis Division is required to perform financial stress testing and should be able to provide the results later in the interim. The stress testing may not involve all the funding coming into the state, but it will examine more than just General Fund revenue.

There was no further discussion on this item.

XI. DISCUSSION OF TOPICS TO STUDY DURING THE 2023-24 INTERIM.

CHAIR BACKUS:

The Committee may request up to ten bill draft requests (BDRs) addressing issues relating to revenue during the 83rd (2025) Legislature. The interim meetings allow the

Committee to examine the issues that arise during session. While the Committee does not have to request all 10 BDRs, it has until the end of August 2024 to discuss any items for further consideration.

In February, the Economic Development Authority of Western Nevada, the Las Vegas Global Economic Alliance, and the Northern Nevada Development Authority have been invited to assess policies and address constituent concerns with economic development. Additionally, as Mr. Nakamoto mentioned, the Committee can review the results of the economic stress test later in the 2023-24 Interim.

SENATOR DOÑATE:

There were three topics that arose during session that I think would be of interest to the Committee. The first topic deals with the State Highway Fund. The increase of electric vehicles has caused interest in what the State Highway Fund will look like in the future. Some states are beginning to look at the metrics for vehicles that do not need gasoline. The second topic is Film Tax Credits. Perhaps the Committee can invite other states to share about how Film Tax Credits have evolved in their jurisdictions and economies. There is a top-level Film Tax Credit that exists for film companies, but there are also some Film Tax Credits that can be used for neighborhoods to become film sites. The third topic is something that Senator Neal mentioned earlier. There are some companies that receive certain tax credits to build infrastructure while the people they are hiring are receiving Supplemental Nutrition Assistance Program benefits. I believe the Committee should study those incentives, set a ceiling for how many tax credits can be approved, and ensure that employees of the companies receiving tax credits are not enrolling in Nevada Medicaid or other government services funded by the state's taxpayers.

There was no further discussion on this item.

XII. SCHEDULING OF FUTURE MEETINGS.

CHAIR BACKUS:

This Committee must conclude its work by August 31, 2024. The Legislative Commission has allotted the Committee to hold up to six meetings during the 2023-24 Interim. The meetings have been tentatively scheduled as follows:

- Wednesday, February 28, 2024, at 9 a.m.
- Wednesday, April 10, 2024, at 1 p.m.
- Thursday, June 20, 2024, at 9 a.m.
- Tuesday, July 23, 2024, at 9 a.m.
- Tuesday, August 27, 2024, at 9 a.m.

There was no further discussion on this item.

XII. PUBLIC COMMENT.

There was no public comment.

XIV. ADJOURNMENT.

Chair Backus adjourned the meeting at 1:08 p.m.

Respectfully submitted,

Maria Montes, Committee Secretary

APPROVED:

Assemblywoman Shea Backus, Chair

Date