

**MINUTES OF THE  
JOINT INTERIM STANDING COMMITTEE ON REVENUE  
(Nevada Revised Statutes [NRS] 218E.320 – 218E.330)  
FEBRUARY 11, 2026**

Chair Dina Neal called the second meeting in calendar year 2026 to order at 9:46 a.m. in Room 165 of the Nevada Legislature Office Building, 7230 Amigo Street, Las Vegas, Nevada. The meeting was videoconferenced to Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada.

**COMMITTEE MEMBERS PRESENT:**

Senator Dina Neal, Chair  
Assemblymember Shea Backus, Vice Chair  
Senator Fabian Doñate  
Assemblymember Reuben D’Silva  
Assemblymember Danielle Gallant  
Assemblymember Duy Nguyen  
Assemblymember PK O’Neill

**COMMITTEE MEMBERS EXCUSED:**

Senator John Ellison

**LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:**

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division,  
Legislative Counsel Bureau (LCB)  
Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, LCB  
Hayley Owens, Deputy Fiscal Analyst, Fiscal Analysis Division, LCB  
Kristine Jones, Economist, Fiscal Analysis Division, LCB  
Bryan Fernley, Chief Deputy Legislative Counsel, Legal Division  
Basia Thomas, Committee Secretary, Fiscal Analysis Division, LCB  
Jennifer Weston, Committee Secretary, Fiscal Analysis Division, LCB

**EXHIBITS:**

[Exhibit A:](#) Meeting Packet  
[Exhibit B:](#) Agenda Item IV – Overview and Discussion of Allegiant Stadium  
[Exhibit C:](#) Agenda Item VI – Overview of the Regulation and Testing of Autonomous Vehicles and Similar Forms of Transportation in Nevada

**I. ROLL CALL.**

BASIA THOMAS (Secretary, Fiscal Analysis Division, LCB) called roll. All members were present except Senator Ellison, who was excused. Assemblymembers D’Silva and Gallant joined the meeting in progress.

## **II. OPENING REMARKS.**

CHAIR NEAL:

Good morning, everybody. I apologize for the late start. Every time we travel the I [Interstate]-15, it seems to get special, but today two lanes were closed and shut down. I apologize for the late start. What we'll do is open up for any kind of public comment.

## **III. PUBLIC COMMENT.**

CHAIR NEAL:

Is there anyone here in Las Vegas for public comment? Is there anyone on the phone line for public comment? Seeing no one, we'll go ahead and jump into...[inaudible]...go ahead and just move right into the presentation for Mr. [Steve] Hill on Agenda Item IV.

## **IV. OVERVIEW AND DISCUSSION OF ALLEGIANT STADIUM.**

CHAIR NEAL:

You may begin when you're ready.

STEVE HILL (CEO [Chief Executive Officer], Las Vegas Convention and Visitors Authority and Chair, Las Vegas Stadium Authority):

Good morning, Madam Chair, members of the Committee. Thanks for the opportunity to be here. I will provide an update on the performance of Allegiant Stadium, go through the effects that they have in terms of attendance, fiscal effects, economic effects, and then talk a little bit about where we are in terms of the performance of the bonds, and the revenue stream to pay for the bonds, and the remaining dollars after the bonds have been paid.

On this slide ([Exhibit B](#)), you can see what was presented to the Legislature in 2016 as a projection for attendance for out-of-town visitors and what we call and what is the most important number, incremental visitors. Incremental visitors are defined as visitors who have come because of the event in the stadium and would not have come without the event in the city. You can see we originally projected 2.0 million total visitor, total attendees at events and projected that it would be about 1.2 million locals and about 800,000 visitors, with a little more than half of the visitors coming specifically because of the event in the stadium.

Two thousand twenty-five results...we had fewer attendees, but we had more visitors; about 20%...25% more visitors in 2025 that we had originally projected and more than double the number of incremental visitors. We're 111% higher in the number that really drives both the economic and the fiscal impact from the stadium, so stadium obviously has been exceptionally successful.

From an economic output standpoint, the impacts, we projected \$620 million of output in 2016. We're nearly four times that amount as we look at results from 2025. Wages and salaries are more than double what we had originally projected, quite a bit more than really, two and a half times what we had originally projected. The employment that all of that supports is nearly double what the 6... nearly 6,000 jobs in the community. Now, those aren't...the majority of those are not jobs at the stadium itself. There are jobs obviously created at the stadium, but this is jobs that are in the tourism industry because all of these folks have come to Las Vegas. Then all of the jobs that are indirectly created throughout the community as well.

From a fiscal impact standpoint, we've listed the five largest taxes that are impacted by what happens at Allegiant Stadium. You can see the result of having quite a few more incremental visitors because that is the only visitor that is calculated in these numbers...or used to calculate these numbers ([Exhibit B](#)).

Sales Tax is four times what we originally projected. Room Tax is double what we originally projected. The Live Entertainment Tax (LET) is a calculation here ([Exhibit B](#)) and frankly, it's not a great number to use and think about. It is...the way that number is calculated, and Applied Analysis has done this work, and it's the right way to do it, but it is not all that directional. It is the average visitors spend on LET in the state, or in the county really, and multiplied by the number of incremental visitors. So, you see, we had more than twice as many incremental visitors, therefore, we had more than twice as much LET calculated. On the next page, I'll show you a slide that will explain why that's not the best number to use.

Gaming Tax is way up. Local Transportation Taxes are obviously way up as well. This bar chart ([Exhibit B](#)) shows you though that the impact that Allegiant has contributed to. You can see that prior to Allegiant Stadium opening, most of the LET was generated from venues that are in resorts. That...those...that green part of those bars are...is representative of the LET that is generated in the resorts; the theaters and the arenas that are a part of the resorts themselves. Then you move out beyond the pandemic, and we open Allegiant, we open the Sphere, and we bring Formula 1, and you get this big jump. That is largely where those jobs originate from.

The Sphere may well be the biggest contributor to the increase in the LET. We are not privy to that information. We are privy to the revenue that is generated inside the stadium and the LET that is paid for each one of those events, but you can see events like WrestleMania, Crawford-Canelo fight, and they were fantastic events, gate was very high. Certainly, they contributed to all of those taxes that we talked about including the LET.

From...just a couple of slides on the status of the bond and the status of the financial situation of the [Las Vegas] Stadium Authority and everybody who relies on the Las Vegas Stadium Authority for that ([Exhibit B](#)). We currently have at the end of the last fiscal year, about \$621 million in outstanding bonds. I'll just point out there are a couple of numbers in that you may remember, obviously, there was a contribution to the construction of the stadium of exactly \$750 million. We issued par value, face value, of bonds about \$625 million.

The face value of bonds that had been repaid is minimal in the first few years and acts like a house mortgage, you pay more interest on the...early in the repayment of these bonds and it accelerates the principal payment as you begin to pay them off. As I'm sure all of you know, as you issue bonds, you can and we did in this case, create a premium over and above the par value of the bonds. If memory serves me right, we generated about \$700...somewhere between \$710 and \$715 million of bond proceeds when we issued the bonds. There was \$90...\$85... \$90 million of premium, I think, when we issued those bonds. We also, when the legislation was passed in 2016, began collecting the Room Tax. That Room Tax was used as Paygo money, the original, before we issued the bonds, we collected that money. That and a little bit of interest got us to the \$750 million total. A few million dollars of outstanding bonds par value have been paid off. We're certainly on track there, but that's what that \$621 million there represents. We have a debt service reserve; it was required in the legislation to have two years. We currently have 2.2 years because the interest on that debt service reserve also gathers in that account.

What happens with the Room Taxes that are collected is generally referred to as a waterfall and it's...this initial bucket has to get filled then that flows over into the next bucket which flows over into the next bucket and so on until you get to the bottom of that waterfall. It's also...it's easier to think of sometimes as a water wheel really because that's really how it performs. We issued these bonds with the concept of a 1.5 times coverage, so we expected to be generating 50% more Room Tax revenue, which is approximately 7/8 of a percentage, 0.88%, in the stadium district, which is a 25-mile radius around the Clark County Government Center, which includes most all of the major Room Tax generating properties in Clark County, outside of the Laughlin/Mesquite areas, which are only taxed at a half percent.

We expected to collect 150% of the Room Taxes that we need. Obviously, that varies somewhat over the years. It...during COVID-19 dropped below what we need in order to pay the bond payments and we had a reserve that we were able to dip into in order to make sure that those bond payments were made. We have since replenished all of the funding that we had borrowed from that debt service reserve.

Bond payments...the column on the left ([Exhibit B](#)) is the budget for the [Las Vegas] Stadium Authority in 2026. The bond payments are what they are, it's \$38.3 million. The legislation provides the Las Vegas Stadium Authority with the authority to spend up to \$2.0 million and that's cost-of-living adjusted each year for administration. We budget the entire amount that we are approved to spend. We don't come anywhere close to spending that amount by the time we're done with the year other than in the years where we are negotiating all of the documents with the other parties. In a normal year when we're not doing those negotiations, we're in the \$500,000 [to] \$750,000 a year range in what we spend. The cost of the documentation for both Allegiant and then the ballpark was approximately \$1.0 million each time we did that. Costs jumped up in those years and then they moved back down into that. Now, any excess in that administrative fund falls in through that waterfall and ends up at the bottom if there is enough to fill every bucket along the way.

The legislation allows the Las Vegas Stadium Authority to step in and operate the stadium in the event that the stadium operator fails. That's a "belt and suspenders" kind of part of the law. We've never spent any money in that account. We don't anticipate spending any money in that account, but it is there, and we wanted to show you.

The legislation requires that we put \$9.0 million a year toward the debt service reserve until the two-year requirement is filled. We did that over the course of several years. That debt service reserve, as I said on the previous slide ([Exhibit B](#)), now has 2.2 times coverage. It's only required to have 2, so we do not have any more requirements to put money into that debt service reserve. We reached an agreement that is in the law with UNLV [University of Nevada, Las Vegas] that if they chose to close Sam Boyd Stadium and leave it closed, they would be repaid up to \$3.5 million a year for ten years for any difference in profit that they would achieve at Allegiant versus what they were achieving at Sam Boyd. Obviously at Sam Boyd, not only did they have foot...their football games there, but they also put on about 10 or 12 other events: Rugby sevens and Motocross and things like that. They made some money on those things. RubinBrown did an audit of Sam Boyd Stadium. We all reached a conclusion and agreed that the amount of money that UNLV had been making on average at Sam Boyd was \$5.0 million a year. They are guaranteed to make at least \$5.0 million a year at Allegiant Stadium. As long as they make at least \$1.5 million, we will contribute through the Las Vegas Stadium Authority the difference of \$3.5 million.

Over the past couple of years, the Las Vegas Stadium Authority has contributed \$2.5 million one year, \$1.5 million one year, they're doing...continue to do better on football, which is great. I think that the stadium has helped UNLV, they've certainly said that out loud publicly as well, but they are getting...working toward that \$5.0 million number. There's about five years left to run on that ten-year agreement in the law.

There is a requirement in the law that the Las Vegas Stadium Authority provided funding is available, put a portion of the Room Taxes into a capital account. It's for capital maintenance in the stadium, it's to contribute to the requirement that the Raiders maintain the stadium as a premier world class stadium. That started at \$5.0 million. It's COLA [cost-of-living-adjustment] adjusted, and it is up to \$6.7 million now, so that is the contribution that will be made to the stadium in this fiscal year.

Then any money that is left over that has been collected through Room Taxes will go into the bottom of that waterfall account. That waterfall account is required to be spent by law on either capital, infrastructure, or early debt retirement. It is largely...well obviously can be used in each of these three areas. We have not used any of this money yet. From a capital standpoint, the conversations that we've had at the Las Vegas Stadium Authority level and with the Raiders are for things like bringing...having that reserve there to be able to bring world class scoreboards up to a new technology standard after 10 or 15 years, things like that, in order to be able to make the contributions to the stadium that keep it at that premier world class level.

There's some infrastructure issues around the stadium that the county has requested that we take a look at; we think there's some really good ideas there. We have some as well, but continuing to make that experience around the stadium, not only a great one for fans, but a safe one for fans, an easy one for fans, all of those things. Then there's obviously the possibility of early debt retirement.

That is my presentation, Madam Chair. I'm happy to answer any questions your Committee may have.

CHAIR NEAL:

Members, any questions? Assemblymember Backus.

ASSEMBLYMEMBER BACKUS:

Thank you so much, Mr. Hill, for your presentation. I just had a quick question. You may have said it. I was just kind of trying to digest it. When we were looking at the LET slide ([Exhibit B](#)), I take it this total that's on there is reflective of also like indirect LET. If someone's coming in for an event at Allegiant Stadium, they would also then...they could take in a show, which may fall under the gaming locations. Is that...so it's indirect and direct from the stadium itself?

MR. HILL:

You're referring to the \$6.9 million number or are you...the bar chart? The bar chart would reflect the location that the LET is generated from. That's disconnected then from the count of visitors. Other than if they're in Allegiant Stadium, if they're in the Sphere, if they have gone to Formula 1 race, they would be in the gold part of that bar chart ([Exhibit B](#)). If they were at Dolby Live or they were at the Fontainebleau theater, they would be in the green area.

ASSEMBLYMEMBER BACKUS:

Thank you. Madam Chair, can I just clarify? I think I understand what you're saying because I looked at your...the footnote at the bottom. Is...that's kind of the LET overall for Nevada. Then going back to the fiscal impacts, the number on there is the actual direct LET that the stadium generates, but it doesn't address the indirect LET. I can just imagine someone flying in for a three-day weekend, take in one event at the stadium, but then go somewhere else. It's not showing that, it's showing the direct.

MR. HILL:

Yeah, you pointed out the worst part of the presentation. That \$6.9 million number is a calculation that does not really represent a number that is a great one for you to refer to. It's not very helpful for me to have presented it. It is what...the calculation there is if the average visitor to Las Vegas spends \$100...or creates \$100 of LET, we're going to multiply that 100 times the number of incremental visitors and that produces that number. It is not really representative of any question that I would anticipate that you would ask.

ASSEMBLYMEMBER BACKUS:

Thank you.

MR. HILL:

The bar chart very much is.

CHAIR NEAL:

Any additional questions? I guess what I'm trying to...I'm going to just piggyback on the LET question for the fiscal impact page. This is going to come out raw, but what's the value of having that \$6.9 million number if it's not true...or really accurate?

MR. HILL:

There's no real value in that number.

CHAIR NEAL:

Why do we have it on the chart? Because I feel like when somebody looks at that they're going to be like, "Oh, \$6.9 million that's being generated from Allegiant," which is a misnomer.

MR. HILL:

Yeah, I think it should be removed.

CHAIR NEAL:

Is there...are there any other numbers on the chart that should be removed?

MR. HILL:

No, just that line item.

CHAIR NEAL:

I have a different question on the Room Tax number, the \$28.2 million, the 2025. Is that \$28.2 million above the Room Tax that's needed to pay for the stadium? This is in addition to.

MR. HILL:

They're unrelated numbers.

CHAIR NEAL:

They're unrelated.

MR. HILL:

Yeah, the Room Tax that is generated through the law, the 0.88%, is generated on every room that's occupied times the rate...the room rate for each one of those rooms. In the stadium district, which is that 25-mile radius, and then outside of that at 0.5%. That's a separate calculation, that's about \$60.0 million a year, that is a portion of the Room Tax the Las Vegas Stadium Authority receives. This \$28.2 million number is the Room Tax that is generated by the incremental attendees at the stadium.

CHAIR NEAL:

These are the incremental attendees who say, "I want to come for Beyonce, and I fly in from California...Colorado," and then attend the concert.

MR. HILL:

Madam Chair, that's correct.

CHAIR NEAL:

Then in the finance statement, where it has...because I have the June 30, 2026 [sic], statement, the \$66...roughly \$66 million, that was for the actual prior...June 30, 2024, is the actual amount of the Room Taxes that has come in to help pay down the \$7...which was the \$750 million.

MR. HILL:

Madam Chair, that's correct.

CHAIR NEAL:

Then the Sales Tax, the \$48.3 million represents all or is this incremental? How would you...how do we break this number out by who generated it?

MR. HILL:

Madam Chair, what's represented on that slide is the tax...are the taxes that are generated by the incremental visitors to Allegiant Stadium. All...each of those tax lines.

CHAIR NEAL:

And the local transportation taxes are the TNCs [Transportation Network Companies]?

MR. HILL:

Madam Chair, yes that's right.

CHAIR NEAL:

The TNC you have jumping from \$2.2 million to \$12.6 million. Clearly, we know because there's no parking at the stadium. Everybody is typically moving there either by a TNC or driving and parking at the hotel or whatever motels that are on that Strip. Do we try to get any kind of...I guess it's incidental data related to...I guess revenue that...now that corridor is generating from that...from those...from that parking...because they're doing like \$100, \$50 to park there depending on where you are. But almost that whole...when you hit Dean Martin [Boulevard], everybody's generating money from whoever wants to try to park and then walk to the stadium. Do we even ask...does the Las Vegas Stadium Authority ask any questions about what's being generated from that activity?

MR. HILL:

Madam Chair, no, we don't.

CHAIR NEAL:

I had an interest in having this conversation because at the Las Vegas preview it was put out...I don't know what the number was. Was it \$284 million? Was it nationally? Globally? Like, oh my God, Allegiant is like the highest revenue stadium. It...I wanted to then ask the question, if it's generating that kind of money, how much were we paying down? How much were we paying down on the debt of building it? That's what's piqued my curiosity because I wanted to know and you just explained to us that it's nominal, how much is being paid down. We went from \$750 [million] and what, we're about \$656 million that we're paying that we're at right now in terms of what is still owed for public money?

MR. HILL:

Madam Chair, we have not paid down from \$750 million to the \$621 [million].

CHAIR NEAL:

Okay.

MR. HILL:

We issued and I don't know exactly the number \$625...\$630 million in par value bonds. We have paid...because we're in the early years, we're paying more, much more interest in principle over the course of what it really will be 28 years because we've got the last 2 years in the bank already. A 28-year payment cycle, that Room Tax that's being generated will pay off all of those bonds in a kind of normal bond payment cycle. The

early years is a smaller principal payment that'll accelerate as we get closer toward the end. The rest of that funding, up to \$750 million, was premium issued that was generated during the bond payment interest rates that were prevailing at the time or lower than the par interest rate of the bonds, which allows us to generate...allowed us the time to generate more than the face value of the bonds. What's represented here is the face value of the bonds. That produced somewhere around \$715 million in total bond proceeds. Then we started collecting Room Tax prior to the issuance of the bonds, which really allowed us to put the other \$35 million in a Paygo method with that original Room Tax that was collected.

CHAIR NEAL:

Thank you for that. Final question...well actually no because I actually have two. For regular people listening in and even for my own edification, so when it gets put out there that highest grossing stadium, is it globally?

MR. HILL:

Madam Chair, I read what you did. I talked to them about it.

CHAIR NEAL:

Right, I...you probably saw that.

MR. HILL:

It was the number one grossing stadium in the United States. It was the number two grossing stadium in the world.

CHAIR NEAL:

So, \$284 million, and then when we see these fiscal impacts, which is a mixture of incremental, incidental, then what is the...I guess I'm trying to get at what's the profit? How much is the... how much is the stadium...I guess more the tenant...keeping?

MR. HILL:

Madam Chair, the way the law requires the structure of the lease and with the Raiders is they lease the stadium, they generate the revenue that's in the stadium, they pay for the expenses in the stadium, they take the risk, they get the benefit. The benefit that taxpayers get for having contributed just Room Tax, which is all that taxpayers have contributed, are all of those benefits that we've talked about here, the fiscal benefits where there's the LET on this slide ([Exhibit B](#)) is underrepresented by a pretty significant amount. But you know, at least \$122 million in tax revenue, the jobs that are created or anything that happens from an economic standpoint.

CHAIR NEAL:

Thank you for that. My other questions come from the slide on the economic impacts ([Exhibit B](#)) where we have the employment and then the wages and salary. On the employment where we go from the 2016, which I guess we could say the 2016 numbers... would you equate the 5,982...the construction numbers in 2016?

MR. HILL:

Madam Chair, no, that was not the intention of that number in 2016. There was a construction...number of construction years of employment that was a part of the presentation, but these were the ongoing permanent jobs that would be created...or the full-time employment calculations on an ongoing basis.

CHAIR NEAL:

Then in the 2025 number for the 10,600 how much of that represents seasonal work? Meaning it's not full time.

MR. HILL:

Madam Chair, the calculation is an FTE [full-time equivalent], so I...\$50...\$587 million and 10,000 people, you're looking at an average of about \$55,000 in FTE a year. Some of it's seasonal, certainly in the stadium itself, but most of the jobs are created out in the community that become very permanent.

CHAIR NEAL:

The wages and salaries that is now \$587 million comes from...so if we could break it out from employees that actually work for the tenant who is leasing the stadium, the number would be what?

MR. HILL:

Madam Chair, I don't know that number. I'm not sure.

CHAIR NEAL:

Does anybody have that number somewhere? How do we get a break out of what that means?

MR. HILL:

We can ask and get that information back to you.

CHAIR NEAL:

Thank you for that. Members, any additional questions? Seeing none. Thank you so much for coming and doing this presentation. Just wanted to get some information on the record being that we're putting...that popped up as a story and then also highest grossing. I just wanted to get some more detail. Thank you. With that, we will close that presentation and then move on to Agenda Item V.

## **V. OVERVIEW AND DISCUSSION OF THE LIVE ENTERTAINMENT TAX.**

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

Good morning, Madam Chair, members of the Joint Interim Standing Committee on Revenue. The presentation that I have for Agenda Item V is an overview of the...and discussion of the Live Entertainment Tax (LET), which begins on page 3 of the meeting packet ([Exhibit A](#)) that is available for all of you in print form and is available for the public, anybody who's watching online in NELIS [*sic*].

Madam Chair, as the...as your Fiscal staff, we are not the administrators of the tax, so I...you can ask me questions, and I may or may not be able to answer them. If I am not able to answer them, we have representatives of the Gaming Control Board here in Las Vegas. We have representatives from the Department of Taxation up in Carson City. They are the ones who administer the tax, and they will be my in-person, phone-a-friend, if necessary. However, as your staff, I believe we're able to give an overview and I figure, I think as we thought about it, it was more efficient to do it this way rather than have separate presentations from the board and the Department of Taxation to have us do an overview and then if there are specific questions that we can't answer, we can get those to the right people.

On the next page (page 4, [Exhibit A](#)) are the...kind of the bullet points that we're going to go through; kind of the overview of the LET, the history of the Federal Admissions and Cabaret Taxes, which were the genesis of the LET, and then the history of Nevada's LET from its inception as the Casino Entertainment Tax back in 1965. Then to get to more of the point I think of this for consideration by U.S. legislators, recent legislation that proposed changes to the LET that were not enacted in some of the policies that were in those. Then under the final bullet point, the other issues and items for consideration, this is going to look at some of the things that you can look at as ways that you could tax entertainment or admissions, that aren't necessarily within the LET structure now, as well as entertainment types that may not be included or contemplated.

First, we're going to talk about the...what the LET is. The LET is...the statutory administration of it is in Chapter 368A of the *Nevada Revised Statutes* (NRS). As I previously noted, both the Gaming Control Board and the Department of Taxation are responsible for administering the tax and specifically under the statute, if the live entertainment takes place in a licensed gaming establishment, it falls under the purview of the Gaming Control Board. For any other live entertainment in the state, it is under the purview of the Department of Taxation.

The primary beneficiary of the tax is the State General Fund, with the exception of the first \$150,000 of each fiscal year that is collected by the Department of Taxation, which is distributed to the Nevada Arts Council, which is within the Department of Tourism and Cultural Affairs. The tax is imposed at a rate of 9% of the price of the admission charge to a facility where live entertainment is provided. If the live entertainment is provided by an escort who is escorting one or more persons at a location or locations in this state, it is 9% of the total amount of the consideration paid for the live entertainment provided by the escort.

In terms of the taxpayers, that is the entities who are responsible for remitting the tax. If it is a live entertainment event that is at a licensed gaming establishment, it is that licensed gaming establishment that is required to collect and...or to remit the tax. If the live entertainment is not provided as a license gaming establishment, it's the owner-operator of the facility where the live entertainment is provided and sometimes it's the owner and sometimes it's the operator, which then to the questions that may come about and specifically talking about Mr. Hill's presentation previously, trying to pin down the amount of tax that is generated at Allegiant Stadium because you may have a promoter or an organizer remitting for different locations, we don't always have the ability to determine where it is so it becomes difficult to that end to determine the LET that is generated in any specific facility in a lot of instances.

If live entertainment is provided in a publicly-owned facility or on public land, it's the person who collects the taxable receipts. I think a good example of this is Burning Man. We know that burning man is subject to the LET because if you go to their website, it says we impose the LET, it is collected on the taxes, therefore, the organizers of an event like that would be responsible for collecting the taxable receipts.

Finally, if the live entertainment is provided by an escort, it's either the escort or the operator or owner of the escort service if that escort is working as an employee or on behalf of that escort service.

The next slide (page 8, [Exhibit A](#)) talks about admission charges and what admission charges mean. It...I'm not going to go through all the slides or this one especially, and this one was far more involved to actually discuss. But generally speaking, it's the amount that you pay to get into a facility. If you are buying food or beverage as part of your admission and it's all bundled together, then those food and beverage charges count. But if the food and beverage is separate from the admission, the food and beverage is not subject to the LET and that becomes important when I start talking about these.

Under NRS 368A.200, subsection 2, there are amounts of admissions that are not subject to the tax (page 9, [Exhibit A](#)). I think the most important one here is number one where it is admission charges that are collected and retained by a nonprofit religious, charitable, fraternal or other organization that is tax exempt under Section 501C of the Internal Revenue Code and the amount of tickets that are sold is less than 7,500. If there are more than 7,500 or more tickets sold, then it becomes an LET event, even if it's put forth by a nonprofit organization.

The next question to ask, we're talking about a tax on live entertainment, well, what is live entertainment? Subsection 1 of NRS 368.090 defines live entertainment as any activity provided for pleasure, enjoyment, recreation, relaxation, diversion, or other similar person...or purpose by a person or persons who are physically present when providing that activity to a patron or group of patrons who are physically present. The definition includes specifically ten activities: music or vocals, dancing, acting or drama, acrobats or stunts, animal stunts or performances. Then you go to the next section; athletic or sporting events, exhibits...or events or exhibitions, comedy or magic, a show or production that involves any of the previous seven that I mentioned, a performance by a disc jockey who presents recorded music, and then an escort who is escorting one or more persons at a location or locations in Nevada. The first nine of those were added to the definitions of live entertainment by the Legislature in Assembly Bill (A.B.) 554 in the 73<sup>rd</sup> (2005) Legislative Session. The tenth one about escorts was added in Senate Bill (S.B.) 266 of the 78<sup>th</sup> (2015) Legislative Session.

The definition in...also excludes certain activities: television, radio, closed circuit or Internet broadcasts of live entertainment, entertainment provided by the patron or patrons (if you go to a dance hall, for example, and it's the people who pay who go in to dance, it is not necessarily live entertainment), animal behaviors that are induced by trainers or caretakers for education and scientific research, activities that are uncompensated, spontaneous performances that are not longer than 20 minutes (your average flash mob is not considered live entertainment), any activity that is described as being live entertainment, which does not constitute a performance including go-go dancing, marketing or promotional activities within certain limits that are associated with the serving of food or beverages.

Live Entertainment Tax on the next page (page 14, [Exhibit A](#)), these are the events or the things that are considered live entertainment that are actually exempt from the tax. This is under subsection 4 of NRS 368A.200. If it is illegal for us to tax it under federal law or state law, it is not subject to the tax. If it is live entertainment that is governed by the Nevada Interscholastic Activities Association—K [kindergarten]-12 athletic events that would ordinarily be considered live entertainment, they are exempt—athletic contests, events or tournaments, or exhibitions provided by an institution of NSHE [Nevada System of High Education]—your average UNR [University of Nevada, Reno], UNLV [University of Nevada, Las Vegas] basketball, football game—all those sporting events aren't typically subject to the tax; they are explicitly exempt as long as it is a game conducted within the state. Then the live entertainment that is provided by or entirely for the benefit of a nonprofit where it's less than 7,500, those are exempt. Again, the corollary is, if it's above 7,500, they are subject to the tax.

Boxing contests or exhibitions governed under Chapter 467 of the NRS, those are under the purview of the Nevada State Athletic Commission, and they have their own fees that I will discuss a little bit later. Mr. Hill, in his presentation, had mentioned the boxing match at Allegiant, the Crawford-Canelo fight that happened in September, that is actually not under the purview of the Department of Taxation for the LET because it is governed and sanctioned by the [Nevada] State Athletic Commission, so it is exempt from the LET but they have their taxes that they pay.

Live entertainment that is not provided, a license gaming establishment, if the facility in which the live entertainment is provided has a maximum occupancy of fewer than 200 persons. Then there is another one that is a kind of a variation on that where it is a licensed gaming establishment that has fewer than 51 slot machines, fewer than 6 table games, or a combination thereof, and the venue has fewer than 200 employees. I'm not sure of the distinction between those two. Maybe if somebody is curious, we can ask the Gaming Control Board to give us the distinction between the two. Live entertainment that is provided at a trade show, music performed by musicians who move constantly around or...through the audience if no other form of live entertainment is afforded to the patrons.

Then on the next page (page 16, [Exhibit A](#)), live entertainment at a licensed gaming establishment that is part of a private meeting or dinner, if the purpose of the meeting is not primarily for entertainment. If you're at a convention, there happens to be a performer who comes in, as long as the primary purpose of that function is not the entertainment itself, then it is exempt from the tax. Live entertainment provided in the common area of the shopping mall, food and product demonstrations at a shopping mall, a craft show, or an establishment that sells these kinds of products. Your Costco free samples are not live entertainment. Live entertainment, incidental to amusement rides, motion simulators or similar digital, electronic, mechanical or electromechanical attractions are exempt.

On page 15 [*sic*] (page 17, [Exhibit A](#)), a race scheduled at a racetrack in this state and sanctioned by the National Association for Stock Car Auto Racing, otherwise known as NASCAR, if two or more races are held at that racetrack during the same calendar year. [Bullet point] O is an athletic contest event or exhibition conducted by a professional team based in the state, if the professional team based in the state is a participant in that event. A good example harkening back to Mr. Hill's presentation is the primary tenant, the Las Vegas Raiders, their home games are exempt from the LET under this provision. Finally, the newest one that was added within the last couple of sessions, live entertainment that is provided by or entirely for the benefit of a governmental entity.

On the next slide (page 18, [Exhibit A](#)), under NRS 368A.200, subsection 3, of the question of who pays the LET. The LET is actually paid by the person who purchases the ticket at the time of purchase and it's whether or not the admission for live entertainment is purchased for resale. Once upon a time before the 78<sup>th</sup> (2015) Legislative Session, there was a requirement in...and...in this section that required the ticket to state on the face of the ticket if the tax was included in the price and if the...that statement was not included, the LET was to be paid based on the face value of the ticket. There is no longer a requirement to have a statement on there about the LET included; however, you do have websites like Ticketmaster who will still itemize and tell you how much the LET is...you are paying.

In this example (page 19, [Exhibit A](#)), I...as many of you are aware, sometimes when I come down for a meeting, I will go to a concert the night before. This was for my ticket to go see Def Leppard last night. My ears are still ringing a little bit, but you'll be glad to know that I contributed \$7.11 to the State General Fund in Fiscal Year (FY) 2026.

On slide 18 (page 20, [Exhibit A](#)) is...this is very similar to Mr. Hill's slide. We have it compacted down a little further, but this is a breakout of the LET collections between the game...LET gaming, the LET non-gaming, and then that \$150,000 per fiscal year that goes to the Nevada Arts Council. Mr. Hill is absolutely correct, you can see that for...up until the pandemic, it was predominantly the gaming side of it. In fact, the...until FY 2015, the non-gaming portion was incredibly small. A lot of the law changes that occurred in 2015 took some emphasis off the gaming side of it and put it onto the non-gaming side by including more events. Then there are some changes to the tax structure that kind of deemphasize the gaming side a little bit, but then once you got past the pandemic, and Mr. Hill is absolutely correct, venues like T-Mobile Arena, the Sphere, Allegiant Stadium, that became especially prevalent after the pandemic have contributed to the point where the gaming side...or the non-gaming side of the LET is now the predominant side of this compared to gaming, which is a stark difference to where we were ten years ago.

Before I get into the history of the taxes...the federal taxes, that kind of are the genesis of all of this, is this a point, Madam Chair, to stop and see if there are questions or should I keep going?

CHAIR NEAL:

Members, are there any questions? Assemblymember Gallant.

ASSEMBLYMEMBER GALLANT:

Thank you, Madam Chair. I apologize, I came in late, but did I catch this correctly that we don't have any way of tracking the LET based on venue events, like it just goes into a pool so we can't see what are big draws and maybe what aren't?

MR. NAKAMOTO:

Assemblymember Gallant, the short answer is no, there is really not a way, but there is kind of a more complicated answer to get to why it's no. The first one is taxpayer confidentiality. Since a lot of the taxpayers are the venues themselves, we are not able under NRS 360.255 to disclose confidential taxpayer information, at least on the non-gaming side. The other complication that we have is because sometimes it's not necessarily the venue that pays it, but rather the person who sells the tickets, a promoter, they could be selling tickets at multiple venues. For example, a promoter has concerts that occur at Allegiant Stadium, they have concerts that occur at T-Mobile Arena, they have a venue or events that happen up in Northern Nevada say at the Reno Events Center or Lawlor Events Center, they remit their entire...their LET based on the amount of receipts total and they don't break it out by venue. We...to the extent that we can see the information from tax...from the individual taxpayers, it doesn't really give us a clue as to where those receipts were generated. It's...for those reasons, that's kind of why we're really stuck on actually providing more detailed information on where it is other than we know the amounts that are generated in license gaming establishments as a whole versus all other venues as a whole.

CHAIR NEAL:

Any additional questions? I have a couple before we jump to the other pages. On page 11 [sic] (page 13, [Exhibit A](#)), this is what is not live entertainment. If you go to number two, clubs are excluded?

MR. NAKAMOTO:

Madam Chair, I think it really depends. If it's a club where there happens to not be a DJ [disc jockey], then I would say that perhaps it's not. Again, I'm not the administrator of the tax. I can...I'm just going by what's in the statute, but I think it's really going to depend on kind of the activity that is occurring at the club. Because if there's a DJ, it...under the definitions of live entertainment, I believe it should, but again, without being the administrator of the tax, I...and I...without going through every permutation I'm not sure I can give you a good answer to that.

CHAIR NEAL:

That's a Department of Taxation question for the folks up north?

MR. NAKAMOTO:

It could be for the Department of Taxation or the Gaming Control Board in either instance.

CHAIR NEAL:

Who would like to be up to answer that question? Department of Taxation or Gaming Control Board? Because here is my thought. Ten years ago, the...I would say the market was very different. Now a lot of the activity in which happens on the strip and then happens in Las Vegas is entertainment-based. We have DJs that are literally getting paid, I think almost \$100,000, maybe even a gig. Then the clubs, day clubs, pool, whatever, is now the thing. In the summer people are pulling out day clubs on Monday afternoon and going to go hang out and it's crowded, and people are there. I want to know is that subject to the LET or is it out?

SHELLIE HUGHES (Executive Director, Department of Taxation):

Madam Chair, Mr. Nakamoto was correct. There's so many different permutations of this that if there is no DJ present or live music, it would not...a club would not be subject to the LET in general. However, if there is live entertainment present, it would be subject to the LET. It depends on the facts that are presented and it's hard to answer that question at this point.

CHAIR NEAL:

I don't...I haven't been out in a really long time, but I can promise you there's a DJ. You're not going to the day club at Mandalay [Bay] and there's no DJ hanging out by the pool, that's just not happening.

SHELLEY NEWELL (Senior Economic Analyst, Nevada Gaming Control Board):

Madam Chair, to answer your question, I concur with what Department of Taxation represented. You will have clubs and as long as there is not live entertainment that is occurring, there is not an LET. When you have that music, for example, the DJ that you asked about. If you think of the DJ in terms of your general wedding where they're saying, "Hi, we're going to play this, come dance." That type of DJ would not be considered entertainment...live entertainment taxable. When you have the DJ that you hear about that bring in the volume of attendance and dollars where they're doing performances, that DJ is taxable and therefore, those admissions to that club, that venue, that day club, nightclub, whatever it is, then become taxable.

CHAIR NEAL:

Thank you for that. Do we know now that that's like the thing, how much DJs are generating in terms of revenue?

MS. NEWELL:

The information that gets provided to our auditors and the audit teams that go out and audit the locations, licensees maintain each venue and the number of activities that they have at each venue that is available when the auditors are going out to the field, they will evaluate that. They at times may go out and do live entertainment observations if they think something might be questionable or if they just want to concur, like we agree, so they'll go out and observe those things. But licensees do maintain that. In terms of the general record, we will then get a summarized basic summary form, not necessarily all the details of which DJ, but it isn't because the auditors couldn't find it, they'll be able to obtain that and find out who that is. Again, for confidentiality, we don't disclose that information, but we can obtain that information when we're wondering who's bringing in the top dollars and where those are coming from.

CHAIR NEAL:

Thank you for that response. That's good to know. It's obtainable information. If there's 50 events in a week or 20 events in a week across the city, you can then get that information and find out revenue generated by those 20 activities. We may not be able to see it, but you're seeing it on your end.

Ms. NEWELL:

Madam Chair, yes. Yes, we do see it on our end. When the auditors are out there doing the audit and then when I perform my monthly procedures. If I'm inquiring because I'm looking at the monthly numbers for each licensed gaming location, I look to see why they have increases, why they have decreases, and what's driving their numbers in terms of the shows and the entertainers that they're bringing in because I'm always again, trying to forecast the revenue for the state as it relates to live entertainment. I'm trying to see what drives, where they're falling short, where they're exceeding, and how or what we might be able to do better, what they can do better, and we have that dialogue every month when I see the numbers roll in.

CHAIR NEAL:

On same question, but different activity, on the escorts, do they register? How do you...how is that activity actually audited?

Ms. NEWELL:

Madam Chair, you said escorts?

CHAIR NEAL:

Escorts.

Ms. NEWELL:

Escorts is not something common to our locations. It would be more for Department of Taxation.

CHAIR NEAL:

Ms. Hughes.

Ms. HUGHES:

Thank you, Madam Chair. Yes, they do register with the department. We do have figures of what they've paid over FY 2025. I can give you that information. For FY 2025, our escort services reported \$1.5 million. FY 2026, the filings to date show about \$470,000.

CHAIR NEAL:

Thank you for that. We included...so escorts are \$1.5 million and then...but we exclude any kind of boxing. Does that exclude UFC [Ultimate Fighting Championship] too? We...I guess what I'm trying to get at is it seems like the things that are in are smaller in terms of what they generate versus the bigger ticket events that actually happened in [Las] Vegas.

MR. NAKAMOTO:

Madam Chair, you're correct that UFC is not included. They are considered unarmed combat under the jurisdiction of the Nevada State Athletic Commission, and they have a separate tax that is levied on them by the Nevada State Athletic Commission.

CHAIR NEAL:

Is it less than 9%?

MR. NAKAMOTO:

It is a rate of 8%, of which 6% goes to the State General Fund and the other 2% is retained by the Nevada State Athletic Commission for their budget.

CHAIR NEAL:

Okay. But when boxing was like a real thing, I guess it kinda is, kinda. I mean, we weren't getting revenue from Tyson fight or an ear bite, yeah?

MR. NAKAMOTO:

Madam Chair, we were.

CHAIR NEAL:

We were?

MR. NAKAMOTO:

It was from that 8%, previously it was 6%. It was increased to 8% sometime around the Great Recession to get that portion for the Nevada State Athletic Commission. But to...for as long as I...and I'd have to go back and look to see how long that has been in place, but it has been for a considerable amount of time that boxing and unarmed combat such as UFC are subject to this license fee from the Nevada State Athletic Commission.

CHAIR NEAL:

Are we talking about 2011 Great Recession?

MR. NAKAMOTO:

Madam Chair, yes. It was in that timeframe that it was raised from 6% to 8%. But it was in place before that, but I'd have to go back and see how far it went back.

CHAIR NEAL:

One could make the argument that folks saw this particular category and decided that it was in the best interest of the state and the General Fund to raise it from 6% to 8%.

MR. NAKAMOTO:

Madam Chair, whether it was in the best interests of the State General Fund or the best interests of the budget of the Nevada State Athletic Commission or a combination of both, I don't know if I can tell you, all I know is that the Legislature did make a decision to increase that from 6% to 8%.

CHAIR NEAL:

Okay. But one could probably make the argument that it'd also be in the best interests of the State General Fund to have tax parity between professional sporting events and gaming, who pay 9% and professional sporting competitions or teams that are excluded and don't pay the 9%. Yes?

MR. NAKAMOTO:

Madam Chair, I have been working for Fiscal long enough to know that that was a rhetorical question.

CHAIR NEAL:

I know. I'm done with my questions on this part of the presentation, but I just wanted to see if there was any kind of legislative decisions that had been made where we considered activity based on the needs of the state. It looks like there is...looks like I have at least one particular incident where we went after boxing at its heyday and increased the rate. But as you said, I'm being rhetorical and I'm kind of helping my own self come to the conclusion on how I feel about tax parity.

MR. NAKAMOTO:

Madam Chair, to answer your question on that license fee under the NRS 467 for boxing and other unarmed combat, that was originally put into place back in the early 1960s at a rate of 3%. I would have to go back and look to see when the increases are, but what I can tell you is that the rate is currently 8%.

CHAIR NEAL:

Thank you for that. Now we can continue on to the War Revenue Act. I feel like you're setting me up with this wonderful federal history that says folks have changed their minds about taxation.

MR. NAKAMOTO:

Madam Chair, this was actually fun to do. I kind of look at history as a side project and so the research on this was quite fun and I never thought in my tenure that I would ever get to talk about World War I during a presentation for a revenue committee.

The start of this story begins on April 4, 1917, when the United States entered the Great War, otherwise known as World War I. The federal government realized very shortly thereafter that wars cost a lot of money. They decided that they needed money to fund the involvement in a war that they had not been involved in for the first 32 or so months of its existence. They came in in 1917 to provide support to the allies and realized that they needed money.

Congress on October 3, 1917, passed a...what was known as the War Revenue Act and it was the imposition of a number of taxes, drastic increases at the time to what was a very new federal income tax, both the individual and corporate rates were put...were increased, and a number of excise taxes on alcohol while it was still legal, tobacco, other products were put into place. One of those excise taxes was an admission...a federal Admissions Tax that became effective on November 1, 1917.

The rate was \$0.01 on each \$0.10 of...or fraction thereof on admissions to any place, so an effective tax rate of 10%. Children's admissions were taxed at a rate of \$0.01 regardless of the price of the admission. There was a de minimis amount where the tax...for an exemption threshold no tax applied if the maximum admission price was \$0.05 or less or if it was an admission to a show, ride, or other amusement within an amusement park, or the admission to such a park. If the maximum admission price was less than \$0.10, it was exempt from the tax.

The tax for the permanent use of a box or seat in an opera house or a similar place was 10% or the amount for which a similar box or seat is sold for an individual performance. There was a tax on dues or membership fees to social or athletic or sporting clubs of 10%. There's a typo in this paragraph (page 23, [Exhibit A](#)), it says, "Where only the fee or due is more than 10% per year." It should actually say \$12. I don't know how I came up with that, but as long as you were paying \$12 a year for your social, athletic, or sporting club due...or membership, you had to pay a tax of a...of 10% on that. Free admissions to events were taxed as if they were paying customers except for employees, municipal officers on official business, and children under the age of 12.

When we go through the slides ([Exhibit A](#)), we're going to talk about two separate taxes. We're going to talk about an Admissions Tax and we're going to talk about something that is known as the Cabaret Tax. The Cabaret Tax was part of the War Revenue Act of 1917 and was kind of all wrapped up in this Admissions Tax, but over time, they kind of split and separated into separate taxes. I'm talking last about the Cabaret Tax, which was a tax of \$0.01 for each \$0.10 or fraction thereof, so that effective rate of 10% of the amount paid for admission to any public performance for profit at any roof garden, cabaret, or other similar entertainment to which the charge for admission is wholly or in part included

in the price paid for refreshment, service, and merchandise. This is kind of if you were going to a jazz club, for example, and there was entertainment there, that was considered a cabaret, and you paid this tax based on your admission to that venue. This was a significant money maker for the early parts of the war as long...as well as some of the other things that were going on.

Then after the war ended, the war ended on November 11, 1918. In early February of 19...or in early 1919, there were amendments to this basically revising some of the provisions of the original Revenue Act. They still needed money because they were still paying a lot even though the war had just ended, but they made several changes to the Admissions Tax. The big one that they added was a tax on the resale of tickets. If you sell a ticket in excess of the face value or sale price at a place of admission, there is...was an additional tax applied at the rate of 5% of that excess up to 50%. Then if the excess was above \$0.50, the tax was 50%. Then the proprietors who sold it had an additional excess tax of 50% levied on them. They revised that threshold for the tax on dues and admissions, instead of being anything above \$12, it was reduced down to where the 10% tax applied to anything above \$10. The Cabaret Tax rate was increased from \$0.01 to \$0.015 cents for each \$0.10, so instead of being 10% it went to 15%. Then the admission price was deemed to be 20% of the amount paid for refreshment service and merchandise.

The next slide, page 25 [sic] (page 27, [Exhibit A](#)) of the presentation, goes through and talks about some of the actions for these taxes during the interwar period. I didn't want to go through and create individual slides for each of these because there weren't big changes in a lot of them, but a lot of them were dealing with that exemption amount. In 1921, the exemption amount went to \$0.10 for all admissions, then in 20...1924, it went to \$0.50, and then in 1926 it went to \$0.75. In 1928, that was the first time that boxing unarmed combat was taxed. It was taxed at 25% if the admission price was \$5.00 or more, but if your ticket was less than \$5.00 it was exempt. Then the exemption threshold for the ticket brokers was changed from \$0.50 to \$0.75 in that Revenue Act.

Shortly after that Revenue Act in 1928, the United States entered, or for that matter, much of the world entered the Great Depression. There was a desire for the federal government to get more money to fund services that were occurring. In 1932, the Revenue Act was passed of 1932 that lowered that exemption amount back to \$0.40 from \$0.75. It eliminated the excess ticket price tax exemption threshold, so all tickets were subject to that tax. The exemption for unarmed combat for the tickets below \$5.0 were...was eliminated, so they were all subject to the prevailing rate for the admissions price up to \$5.00. Then the tax, the Admissions Tax, was applied to tickets sold to collegiate athletic events, which led to a number of lawsuits that were filed by state universities against the federal government, and I'm not going to get any further into that.

Then in 1940, as we were still working our way through the Great Depression but creeping towards World War II, the Revenue Act of 1940, it lowered that exemption amount to \$0.20 for all admissions, it increased the Cabaret Tax from \$0.015 on each \$0.10 to \$0.02 per \$0.10, so an effective rate of 20%, and then the tax on dues and admissions was raised from 10% to 11%. Again, that was as long as that due or membership fee was above \$10.00. Then in 1941 the exemption amount was eliminated. At that point, all admissions became subject to the tax with the exception of children's admissions.

The next one is the Revenue Act of 1943 on page 26 [sic] (page 28, [Exhibit A](#)), and the United States by now was in World War II and as I mentioned earlier, wars are expensive. The story behind this particular bill, you'll notice the first bullet point is that Congress passed it and it was vetoed by President Franklin Roosevelt. The reason why he had vetoed it is he was asking for additional revenue for the federal government of approximately \$10.5 billion. Congress was only willing to provide about 1/5 of that, approximately \$2.1 billion. This was the first time in history...or in the history of the United States where a revenue bill had been passed, notwithstanding the objections of the President. Every single time the revenue bill had been signed by the President, but in this instance, Congress was not willing to go along with raising that much revenue, so they passed a bill that raised less revenue, and President Roosevelt was not in favor of that, but Congress said too bad and they overrode the veto.

The provisions for this took effect on April 1, 1944. You can see the language that I have there about the sunset date, "on the first day of the first month which begins six months or more after the date of the termination of hostilities in the present war" (page 28, [Exhibit A](#)). That's a pretty vague statement. What you're actually going to find out is these taxes never sunsetted because they kind of had that weasel in there that said six months or more. This was kind of the beginning of a point where the tax got fairly high and it was as a result of this Act itself.

The Admissions Tax rate on page 27 [sic] (page 29, [Exhibit A](#)) was raised from the effective rate of 10% to an effective rate of 20%, so \$0.01 per \$0.05, or major fraction thereof. The tax on dues or membership fees was raised from 11% to 20%. Then the Cabaret Tax was raised from an effective rate of 5% to an effective rate of 30%. This is the big one here, because there is a number of things that I kind of went down this weird rabbit hole about, how this basically killed big band music and caused a fundamental shift in American music, but that's not really relevant to this, but the end result of this is this was wildly unpopular at the time. Cabarets of this sort were looked at as entertainment, especially for soldiers, because they needed some sort of distraction or break from the war, especially when they were home on leave. To effectively raise that tax rate by six times was not received very well and Congress and the President got the hint.

In the Public Debt Act of 1944, and this was passed a few months after the Revenue Act of 1943, the Public Debt Act of 1944 had provisions. Its primary goal was to raise the debt limit for the United States government so that they could issue more war bonds to fund the war. They also snuck in language that said effective July 1, 1944, that rate went from 30% to 20%. There was a proposal in the bill originally that would have provided an exemption for soldiers and sailors in uniform. The House of Representatives removed that provision when it got to that.

Madam Chair, you had a question?

CHAIR NEAL:

Well, it's more of an observation. I think those particular slides are relevant for providing examples of what could be a predatory rate that kills an industry or...versus a rate that is balanced and actually just takes care of the needs of the state versus being excessive. That's my observation and the other is the games that you can play related to sunset dates. Then the third observation was that there is precedent for resale of tickets, which is legislation that came from the 82<sup>nd</sup> (2023) and 83<sup>rd</sup> (2025) Legislative Sessions but didn't make it out of the building.

MR. NAKAMOTO:

Madam Chair, to the point that you raised about tax rates being too high, you're absolutely correct. This was a documented example where the rate at 30% provided enough of a public outcry that it was reduced to 20%. But there is even enough literature out that I was reading at the rate of 20% that it had drastic effects on the industry, especially around cabarets.

Moving on to the next slide (page 31, [Exhibit A](#)), this is fast forwarding to 1954. The Internal Revenue Code of 1954 was created in August 1954. When we make references now to federal tax law, we are referring to this document, the Internal Revenue Code. It basically took all of those revenue acts from the past and put it together into one handy dandy section, or Title 26 of the United States Code. When this was done, there were a number of changes that were made to all kinds of taxes, especially the individual and corporate income taxes, and there were a couple of small provisions that were added into the provisions of the Internal Revenue Code relating to the Admissions Tax. The exemption was brought back for a de minimis admission. So, if the tax...or if the admission price was less than \$0.50, these tickets were now exempt and then tickets or admissions to horse and dog racetracks were also subject to the tax.

One of the observations that I would make though is this was at a point where we were nearly a decade past World War II. There were raised questions in Congress and throughout the country about whether some of these taxes were necessary. The Internal Revenue Code of 1954 kept these taxes in place but kind of changed the threshold a little bit. The previous year Congress had actually passed a bill at the behest of the motion picture industry to exempt motion pictures from the tax. They had passed the bill at the end of 1953 and immediately went on their Christmas recess. President Eisenhower did not sign the bill, he let it die, in a move that is known procedurally as a pocket veto. If the Congress goes on a recess and the President does not sign a bill, it's dead. That...notwithstanding the desires of the motion picture industry and much of Congress to scale this back, the idea was from President Eisenhower that he refused to just single out one group and rather wanted, if there was going to be a tax change, let's do a wholesale tax change, but they didn't do that here in 1954, they decided to keep it largely as it was. I would also note that the Admissions Tax exemption for tickets costing less than \$0.50. In 1954, the average movie price or ticket price was \$0.49. Effectively, they may have gotten to the same act by doing this.

We move on to 1959. In House Resolution 2164 from the 86<sup>th</sup> Congress, the Cabaret Tax would be reduced from 20% to 10%. Again, this is nearly 15 years after the end of World War II, and when I talked about that squishy sunset date, this is really what I'm talking about. It's on or after six months and here we are in 1959 talking about finally reducing that rate from its 20% that was put into place in 1944. Basically, the sponsor, Representative Aime Forand from Rhode Island, was looking at the entertainment industry and realized kind of the points that were being made back in the 1940s about this tax is that it was especially a punishment...or essentially a punishment on the entertainers, the employees, and the industry as a whole. By reducing the rate, it was kind of an incentive that they...that he believed that you would make up whatever revenue you lost from the tax. In terms of the Cabaret Tax, you would make it up in income tax because you would be hiring more people, they would have more work, they would pay the federal income tax. Whether that bore out in reality, I'm not sure, but that was kind of the argument that went into play.

Finally, we get to 1965 and there was a belief in late 1964 and early 1965 that Congress was finally going to act on a lot of these wartime excise taxes that had been put in place 20 years ago to fund the war. We were now 20 years past the war. What are we going to do about that? On June 21, 1965, the Congress passed the Excise Tax Reduction Act of 1965, which went through and repealed the Cabaret Tax, it repealed the Admissions Tax, and there were a number of excise taxes otherwise that were repealed because they were deemed as being a hindrance to consumption and frankly, they were old at that point and the necessity for them that is to fund war had gone away. It didn't affect the federal excise taxes on things like gasoline, alcohol, tobacco, but those were...and those were kept in the place, but the history of the Federal Admissions Tax kind of stops at this point.

Madam Vice Chair, if there are any questions that you or any of the members have, this is probably a good place to take them before I get into the history of Nevada's LET.

VICE CHAIR BACKUS:

Members, do we have any questions about the federal history of the Admissions Tax...Cabaret. Looking up, I don't think we have any. Maybe Madam Chair will have some when she gets back.

MR. NAKAMOTO:

Thank you, Madam Vice Chair. The reason why we stop this here is and go into...right into the history of Nevada's LET is because the two are intertwined. The whole idea of Nevada or the federal government getting rid of these excise taxes spurred interest in the State of Nevada to see if some of those taxes could be replaced by a state excise tax on this...on the same activity. For example, if you go into the NRS dealing with the Liquor Tax, there is actually a bill that was passed during the 53<sup>rd</sup> (1965) Legislative Session that said if the federal government reduces the liquor taxes, then the state rates would increase by the amount of the reduction. That never happened because the Excise Tax Reduction Act in 1965 at the federal level didn't reduce the liquor taxes. But there's still this provision in the NRS that says, had they done it, we would have increased our rates.

The Legislature did the same thing with the Cabaret Tax. The Assembly Committee on Taxation during the 1965 Legislative Session sponsored A.B. 648 (53<sup>rd</sup> [1965] Legislative Session), which was eventually passed by the Legislature and became effective on October 1, 1965. Basically, this created a tax that they called and what we knew as the Casino Entertainment Tax. The rate for the Casino Entertainment Tax was either 50% of the federal Cabaret Tax rate in effect on January 1, 1965, or if the federal...or if that federal rate is reduced after January 1, 1965, the difference between the federal Cabaret Tax rate on January 1, 1965, and whatever they reduced it to. Since I previously discussed it went from 10% to 0 that meant that effective October 1, 1965, the federal Cabaret Tax...or the state Casino Entertainment Tax became 10%. There were a number of exemptions that are shown in the copy of the bill. My appreciation goes to the folks at the Research Library who sent this...the text of the bill to me. Then the tax was required to be remitted to the Gaming Commission on a quarterly basis.

Because I like these timelines and didn't want to go through and talk about all of these bills on their own slides, we have another timeline with the legislation that affected the Casino Entertainment Tax (page 37, [Exhibit A](#)). First in 1967, rather than having that language in there about the reduction in the federal Cabaret Tax rate, they passed S.B. 390 (54<sup>th</sup> [1967] Legislative Session) which fixed the rate at 10%. Then there was an additional exemption that was added for smaller license gaming establishments. You can see the thresholds there. In 1979, there was legislation that added an exemption for entertainment that is a charitable or nonprofit benefit exhibition in a museum, sporting event, trade show, motion picture film, or similar to any of these. Then there was an exemption added for music that is provided only by musicians who move constantly through the audience, whether the music is vocal or instrumental or both. If you remember back to some of my earlier slides, there is an exemption that still looks a little bit like that.

In 1981, and it's not on this slide, there was a requirement that instead of paying quarterly to the Gaming Commission, it was paid monthly if the amount of tax due was more than \$500 per month. That feeds into the S.B. 5...or 352 [*sic*] from [the] 62<sup>nd</sup> (1983) Legislative Session where everybody now had to remit on a monthly basis on or before the 24<sup>th</sup> of the month. Then it increased the exemption threshold from the small establishments to...from fewer than four table games to fewer than six table games.

In 1985, A.B. 703 (63<sup>rd</sup> [1985] Legislative Session) exempted gratuities and certain service charges from the tax. You can still see language to that effect in terms of what is considered an admissions charge. Then it exempted outdoor concerts that are at a licensed gaming establishment from the tax.

In 1993, A.B. 233 (67<sup>th</sup> [1993] Legislative Session) exempted entertainment that is presented in a facility that would not have been subject to the federal Cabaret Tax as that existed in 1965. If it wasn't in something that the federal government considered a cabaret, it wasn't subject to the tax. In 1995 they clarified it a little further by putting in similar language, but it's kind of the opposite language. They clarified that if it's entertainment presented in a facility that would have been subject to the federal Admissions Tax, then it was exempt from the Casino Entertainment Tax. It also exempted entertainment that was provided in auditoriums and an auditorium was a facility with a maximum seating capacity of at least 2,750 individuals.

Then we fast forward to 2003 (page 38, [Exhibit A](#)). And 2003, for those of you who are familiar with your legislative history, was a very contentious session from a revenue standpoint. There were a number of proposals to increase revenues and there was not a lot of consensus on that until the 20<sup>th</sup> (2003) Special Session, which was the second special session that was held during the summer of 2003 after the 2003 Session ended. Among the changes to the taxes that were contained within the bills passed in that special session was S.B. 8 of the 20<sup>th</sup> Special Session, which was passed by the Legislature on July 21, 2003, and was signed by Governor Guinn the following day. This essentially repealed the Casino Entertainment Tax (CET) in favor of the LET effective January 1, 2004.

Basically, the LET took the CET and expanded it outside of licensed gaming establishments. It was just about anywhere in the state. That's where we kind of got this bifurcated administration. The Department of Taxation was responsible for anything outside of a licensed gaming establishment, whereas the Gaming Control Board was responsible for anything inside. It also had a bifurcated rate, which is something that currently does not exist. If it was a facility that had less than 7,500 seats, the rate was at 10% of the admission charge, plus 10% of any amounts paid for food, refreshments, and merchandise paid at the facility. If you went to a club, whether it was in a gaming facility or not, and it was small, say it held 1,000 seats, you paid the 10% LET on your admission price if you went to and bought a beer, you'd pay the 10% LET on that as well as any other taxes that would have applied to that. If the facility had 7,500 or more seats, the rate was at 5% of the admission charge only, but the tax was not collected if the facility was not a licensed gaming establishment and had a maximum seating capacity of less than 300 seats.

Following that (page 39, [Exhibit A](#)), there were a number of taxes...or changes to the tax that are worth noting. In A.B. 554 of the 73<sup>rd</sup> (2005) Legislative Session, it created and clarified exemptions from the tax, some of which I discussed previously, including reducing that minimum seating threshold from 300 to 200 and that's the one that I just mentioned on the previous slide. Senate Bill 3 of the 22<sup>nd</sup> Special Session in June 2005 added exemptions for nonprofit organizations and the food and product demonstrations that I had mentioned previously. Then A.B. 487 of the 74<sup>th</sup> (2007) Legislative Session created an exemption for professional minor league baseball games held in Nevada effective July 1, 2007. That bill was sponsored by Speaker Barbara Buckley, and it was exclusive to just those professional minor league baseball games.

Senate Bill 17 of the 77<sup>th</sup> (2013) Legislative Session moved the due date for the taxes paid to the Gaming Control Board from the 24<sup>th</sup> of the month to the 15<sup>th</sup> of the month. Then in 2021, S.B. 367 (81<sup>st</sup> [2021] Legislative Session) provided an exemption from the tax for live entertainment that is provided by or entirely for the benefit of a governmental entity.

I did skip one...or one bill and that is the one that is kind of gotten us to where the LET stands and where it looks like based on the slides that I had previously presented and that was S.B. 266 of the 78<sup>th</sup> (2015) Legislative Session. This was approved by the Legislature on June 1, 2015, the very last day of that session, and it was signed by

Governor Sandoval ten days later with the provisions becoming effective on October 1. This was a complete overhaul of the tax. It removed that bifurcated rate structure, so instead of being at 10% in the smaller facilities on food, beverage, merchandise, and your admission price and then 5% in the larger facilities just on the admission price, the tax was standardized at 9% on the admission price for all venues regardless of the size as long as they were above that minimum threshold. It applied the tax to the escorts and escort services at that 9% rate. Then it specified that the tax applies to live entertainment provided by a nonprofit organization if at least 7,500 tickets are sold or distributed for the event. Anything above the 75...or below the 7,500 became exempt, as I had previously discussed.

It had the provision that required the first \$150,000 collected by the Department of Taxation in each fiscal year to go to the Nevada Arts Council. Then it also added the exemptions for the NIAA [Nevada Interscholastic Activities Association] and NSHE events. Your high school games or your K-12 events as well as your football, basketball, whatever sporting events for UNR and UNLV, those were now exempt.

It clarified the NASCAR exemption. Previously it applied for any race, but it narrowed the exemption and required that two races be held in a year. Then it broadened that minor league baseball exemption to all professional sports if the Nevada team was participating in them. Examples of that now are...for example, the Vegas Golden Knights, the Raiders, the Las Vegas Aces, and so on. Those are exempt from the LET under the definitions in this bill and under current law.

Those are kind of where we've gotten to in terms of the LET and the history of it. Before I move on to some of the other legislation that proposed changes but actually did not pass, I will stop and see if there are any questions.

CHAIR NEAL:

Members, any questions? I know I have two. I know you're getting to the...compare the 2015, 2021, 2023, and 2025 legislation. As an economist, when is a tax activity considered new and therefore fragile so that a tax shouldn't apply and you should wait until the industry itself can be sustained? What are the factors that should be examined? We...prior presentation, we just had a conversation around how one act, the Allegiant Stadium now is number one grossing nationally, second grossing globally. We have several teams since then, but when is an industry considered new and too fragile to tax?

MR. NAKAMOTO:

Madam Chair, I'm not sure I have a good answer for you on that because I think it's really going to depend on the venture, the industry that we're talking about. I think I can use cannabis as an example because in my tenure here, that's kind of the industry that has more or less been created. It's like we had provisions in the law that allowed for medical cannabis in the constitution, those sat there, but they really weren't implemented until I believe 2013, and I think you were here for that when that occurred. Then we didn't get the robust recreational programs until the 2016 ballot question and then the retail tax being put into place in the 79<sup>th</sup> (2017) Legislative Session.

I'm not going to speak perhaps about Nevada, but in some other states, perhaps immediately to our west and elsewhere, there have been questions about the tax rates and the structures and whether those have actually been a hindrance to the industry and kind of stifled its growth. A lot of the states that have had these taxes in the...in place for now a decade or more have had to go back and re-evaluate that because they might have put too high of a rate on to... I think to the point that you're talking about.

I think it's really going to depend, Madam Chair, on the industry. With respect to the LET, I don't know if the LET in and of itself necessarily has dampened any sort of activity. I think there have been arguments made, for example, the professional sports exemption when that was put into place, that...if that was not put into place, then you wouldn't have professional sports teams like the Golden Knights and so on coming here. That could be looked at as kind of an example of if you had that tax, would they have come here, and I don't know the answer to that. I think those are the questions that we would look at and kind of evaluating what the landscape looks like and what the tax rate is. I do know, Madam Chair, for example, the 9% LET didn't stop BTS from selling out four shows at Allegiant Stadium in the span of like 23 minutes or whatever it was.

CHAIR NEAL:

That is absolutely true. It also didn't stop several concerts. One could make the argument from the prior presentation, and this is only one snapshot for one...I would say one stadium and the activity that happened at that stadium where the incremental visitors jump from 451,000 to 951,000. We have out of state persons who said I'm going to [Las] Vegas for what...for whatever is happening in Las Vegas at the stadium. That projection according to this was a 111% increase. When we talk about the health of an industry, our factors that we should look at are; 1) What is...how long that industry has been here, 2) The visitor volume and incremental visitor volume as factors two and three. What else would I consider between now and August that would be economic factors that would say, "You know what, I think this industry is healthy enough that they could sustain a 9% on admissions related to home games and all athletic groups minus the minor teams." What would I look at? Because I think we're well beyond the argument, oh the industry is too new, in order for us to engage in a revenue conversation.

MR. NAKAMOTO:

Madam Chair, as your economist, the big thing that we would probably look at is elasticity of demand. That is, increasing the tax rate or applying a tax rate on something that was previously untaxed, is going to necessarily increase the price by some level, whether the entirety of the tax is passed on to the consumer or the establishment has to reduce their price just a little bit to kind of mitigate that to perhaps reduce harm to the person who's purchasing the entertainment. Then based on whatever combination of those occurs, there's probably going to be a price increase that is passed on to the customer. How...and the big question then becomes, how does that affect the ability or willingness of the consumer to pay that price? That's not something...that's not a simple answer and I can't tell you what the answer is.

CHAIR NEAL:

It's not a simple answer, but I do...but I...at some point in August, thumbtack on looking at least doing some forecasting around elasticity of demand, burden on taxpayer, because clearly, as you just mentioned, for the...is it the Korean...is that Korean pop or is that K-pop...or is that a Chinese group that sold out in three days?

MR. NAKAMOTO:

Madam Chair, BTS is Korean.

CHAIR NEAL:

K-pop. Clearly, because we get the 9% on the concerts. When we look at burden and visitors and tourists who are coming here, because one could argue that the burden is heavier on the tourist who is not an actual resident of the state. We're reaping the benefit of who comes here. They're not actual...they're tourists...we're...the state would be benefiting from the activity of tourists who come to the state. One could argue what would then be the metric to examine what is the burden because clearly it's based on desire to attend and folks are still paying that 9% and coming to a concert and selling it out. They're selling out...didn't they sell? I mean, they sold out several concerts. I want to know what metric as an economist would you put out there when we examine burden to the tourist and whether or not that tourist will come? We can see on one end for a concert of a person that they love, they're like, "I'm paying it."

MR. NAKAMOTO:

Madam Chair, I am a resident of the State of Nevada.

CHAIR NEAL:

Are you going to tell us you have a ticket to this concert that it sold out three day?

MR. NAKAMOTO:

Madam Chair, I am not a K-pop fan. My desire to go see BTS along with 60,000 other people is very small, but the state did get my \$7.11 from my Def Leopard ticket from last night. That is something...Madam Chair, to actually answer your question, that's something that we'll have to look at because there are a number of factors that we'd have to look at the disposable income of people who are coming here, whether they would be willing to absorb that, whether they would have to plan...change their plans accordingly. A lot of that has to do with substitution because a lot of people who come to Las Vegas or anywhere in the state, they have their budget. They've got a budget for food, they've got a budget for gambling, they have a budget for entertainment, they have a budget for hotels, and whatever. If they're having to spend even...I mean, and 9% where it's potentially is not a large amount of money, but if they have a fixed budget, they might

have to shift that from somewhere else. There could be downstream effects on other taxes to the extent that those other activities create tax. That's the kind of thing that we would have to look at, but there are a number of different factors that we could look into to have a conversation about kind of this elasticity and the things that we've been discussing that we will look into.

CHAIR NEAL:

Thank you for that because that's...I really want...that's what I want to...I'm putting it out there that that's what I want to examine. I also...when we think about this...the 2015 legislation, which was doing a whole lot more than my 2021, 2023, and 2025 legislation. Comparing economic environments on when the 2015 legislation was brought forward, and we could probably even throw in the 2003 economic environment and say what were the similarities or differences between the economic environment that was in 2003, 2015, and at this point we would be looking at I think 2021 is a good point because it was a COVID-19 recession, but also looking at what then is the 2026 or 2027 economic environment...really the 2026 economic environment looking like. At the same time, when we're doing that examination of those kinds of parallels, we have also what...that we discussed last meeting, there are specific taxes that are no longer coming in at the same rate. We saw that there was a tobacco tax that is steadily depleting because we are pushing our residents to stop smoking. We also know that slot taxes have been on a steady decline for over ten years and that also goes into the General Fund.

As a revenue committee, we also need to consider what revenue is really no longer coming in for either the activity is ceasing to exist or simply the tax no longer supports the defined activity in which it was placed in statute and why we are examining new revenue streams. Well, actually, based on your tax history from the World War I, it's actually not new taxing behavior, so, thank you for that. But those are the things that I want to consider. Because the folks make the argument, please don't tax me, this isn't my year. It wasn't their year before the Super Bowl, it wasn't their year after the Super Bowl, it's not their year...baseball team...professional basketball team. It's...I want to know when is it the year? That's what I'm looking for, to have that examination, so when that argument is presented that I can be like, actually it is your year, 2027 may be your year.

I'm just putting it out there and for all the people who are listening and being like, I hate Dina, and I can't believe that she is actually trying to tax us again and I won't answer your phone call, thank you. What I am trying to get at is that ultimately the question between the persons who are benefiting from our tourism industry, there needs to be a larger question of when does the State General Fund benefit from that tourist activity? We are not a side chick to the profit that is being made. Okay, I'll put a pause there. Thank you, Michael [Nakamoto].

MR. NAKAMOTO:

Madam Chair, I will note for the record, I will always answer your phone calls, but I don't know...we will look into your questions here. I don't know if we're going to find you an answer that would specifically apply to some of the situations you're discussing, but we can look at certainly some of the factors that may go into getting towards an answer that you might be looking for.

CHAIR NEAL:

Thank you. I just want to pay for the services for the 3 million...is it 3 million or are we at 2.9 million...3 million Nevadans that happen to exist in the state. I just want to make sure there's enough revenue coming in that will sustain all of these families. I don't believe that we're in a place where we have enough revenue coming in to pay for services. Health care, I don't even want...I'm not even going to mention education because I think that's just a rabbit hole of crazy, but all of the other social safety nets in which we should be providing our own people, I don't feel we can fund, and that's being a person who has watched our budget grow and recede and where we're flat and where we continue to try to shake the couch cushions out where we really should be having a sustainable revenue conversation. What is going to keep us whole just the same way as they had a conversation in 2015, and it was a very brave conversation that Marilyn Kirkpatrick [former Nevada State Assemblymember (2004-2014)] had in 2015, and I sat on that committee. I think it's time for another brave conversation 11 years later to talk about sustainable revenue in the State of Nevada. That's what I believe and that's what I think. And that's being a person who has been here now for 15 years watching the ebb and flow. With that, Mr. Nakamoto, you can either put it...close out the...because we're only going to discuss everything I tried to do that died. We can probably skip that wonderful history.

MR. NAKAMOTO:

Madam Chair, I think I'll just move on to slide 42 (page 44, [Exhibit A](#)). As the chair just alluded to, this is an overview of several bills that we're proposing significant policy changes.

ASSEMBLYMEMBER O'NEILL:

Chair? Chair? Assemblymember P.K. O'Neill. Before we go on.

CHAIR NEAL:

Assemblymember O'Neill. Go ahead.

ASSEMBLYMEMBER O'NEILL:

Can I make a make a statement also? I hear what you're saying, you're trying to raise some taxes on businesses that aren't currently taxed. Possibly we could look at the converse of that, if we lowered some of the taxes and spread the board out, things like the gaming could bring back some of their prior benefits and increase their businesses by lowering the taxes and still having the same income coming into the state. It's a converse, you're saying we have to raise to provide services, maybe if we lowered some that have elasticity that is talked about in the economy classes constantly, could have the same effect by lowering and spreading out. I just wanted to make that statement that when we look at these, when you have our research and finance divisions go into this, there's both sides of that coin, and that's my take. Thank you, Chair.

CHAIR NEAL:

No, thank you for that. Tax neutrality is also a conversation. I believe we also...let's put that on the table, Mr. Nakamoto, because it was something that we attempted as well. I don't know, was that 2021 or 2023 when I tried to go after tax neutrality and I said I'm going to drop the rate and then make it equal, take the nine down and drop the rate, and folks were still not on board. But I... let's talk about it again. Because I tried tax neutrality and saying I'm going to go for tax parity. I'm going to drop the rate for everyone and then they were still like, "No, the sky is falling." But let's talk about it again and let's see where...if there's a place where we can get to tax neutrality and widen the base. I'm always talking about widening the base. Then see where we could drop the rate and we're still going to get a steady flow. That...would that help Assemblymember O'Neill?

ASSEMBLYMEMBER O'NEILL:

I think it's worth the discussion because there's other things we could do too to promote further businesses coming in. Delaware is having some issues. Last session, we were talking about the business courts, which I think will help the state tremendously. As we expand through regulations and attract other businesses, that could also generate that increased revenue as you say, but at a lower tax rate, or at least we can stay neutral at that. I think it's worth the discussion and I appreciate your response. Thank you, Chair.

CHAIR NEAL:

Thank you. I agree with you. Thank you for that. Mr. Nakamoto, what's the next?

MR. NAKAMOTO:

Thank you, Madam Chair. There are a few bills that I wanted to highlight of policies that were created that are things that the Legislature still could consider. That was kind of how I'm looking at the last part of the presentation, is here are some of the policy options as your staff that we could come up with, some of which have already been discussed or in previous legislative sessions, some of them are not. As a reminder, as your nonpartisan staff, I am not saying that any of these are better or worse, but they are options that are available for this...for the Legislature to consider.

The first bill that I want to talk about is A. B. 498 from the 77<sup>th</sup> (2013) Legislative Session. This was sponsored by then Assembly Speaker Marilyn Kirkpatrick, who you all know now as a member of the Clark County Commission. Because we all love acronyms, she was creating the Nevada Entertainment and Admissions Tax, or the NEAT, as a successor to the LET. When you go and look at the NEAT, knowing the history behind those federal taxes, the NEAT kind of was a hybrid between the Admissions Tax and the Cabaret Tax. It more or less got rid of the LET as we know it as just live entertainment, and it would've expanded it to include admissions to things like theaters, athletic events, convention centers, greens fees, club and membership dues.

Then at the time, you still had that bifurcated rate. Speaker Kirkpatrick's bill would have gotten rid of that bifurcated rate and put a rate of 8% on admissions only, so very similar to what we had in the 78<sup>th</sup> (2015) legislation of what we have in current law. There was a hearing on that bill, it was a joint hearing between the Assembly Taxation and Senate Revenue and Economic Development Committees in May 2013. That was it, there was no further action taken on the bill, but this is an option that is available based on kind of your options is to...in the vein of the comments the chair just made, broadening the base and in this instance, it would have been a lower rate than what we have now.

During the 2015 Legislative Session, while there were still discussions going on with the LET, Assemblymember Kirkpatrick brought back a new bill: A.B. 392 of the 78<sup>th</sup> (2015) Legislative Session. It didn't have a fun acronym but it was the Luxury Discretionary Spending Tax, that would have been on admissions and amusement services as a separate tax from the LET. There would have been escorts, sightseeing tours, admissions outside of licensed gaming establishments that would have been part of this, as well as membership dues and fees.

The bifurcated rate would have gone away, and it would have been that 8% rate on everything, but the 8% rate under this bill would have still applied to food, beverages, and merchandise in facilities with fewer than 7,500 patrons. Then there were specific exemptions that were included. This bill didn't get a lot of traction. A lot of the traction went into S.B. 266 (78<sup>th</sup> [2015] Legislative Session) from the...that same session which created the LET as we know today. It got a hearing, was re-referred to the Assembly Ways and Means Committee without recommendation and did what all or many bills that go to Assembly Ways and Means did during that session.

Now we're moving on to a couple of the chair's bills, or at least committee bills, and things that she has previously mentioned as part of her comments today. The first one is S.B. 367 of the 81<sup>st</sup> (2021) Legislative Session, which would have eliminated the exemption for professional sports teams based in Nevada. It would have reduced the threshold for nonprofit events that are subject to the tax from 7,500 to 5,000 tickets sold. The bill got heard in the committee twice, was amended in work session to delete all of the provisions and instead add the exemption for live entertainment provided by or entirely for the benefit of a governmental entity as a technical clean up recommended by staff. This bill in that form with just that exemption, was approved by both the Assembly and Senate, and was signed by the Governor on...Governor Sisolak on June 4, 2021.

More recently, S.B. 444 of the 82<sup>nd</sup> (2023) Legislative Session was the first of a few bills that were brought for the taxation of the resale of tickets. The first bill that was actually brought was S.B. 374 in the 81<sup>st</sup> (2021) Legislative Session. That was brought by former Senator Keith Pickard. That originally brought this concept forward. That bill never got a hearing, so then this was brought as a committee bill for the Senate Committee on Revenue and Economic Development in the 2023 Session.

The LET would have been applied to the resale of tickets but only on that incremental amount. If a ticket was purchased for \$100 and resold for \$200, that additional \$100 was taxed. But there was a reverse mechanism that said if the ticket was originally sold for \$100 and then it's resold for \$50, then no tax is due or refunded. It did not have a downward mechanism; it only had an upward mechanism.

The bill was amended in work session to remove provisions regarding the LET being attached to the resale of tickets. But it was...there were provisions in there relating to collecting the tax from marketplace facilitators of LET tickets that were retained. The bill went to reprint, but then it never received a vote, it died after that.

Those are really the things that I wanted to talk about. Again, there weren't many bills in recent memory that have had significant policy discussions. In terms of the ones that I did mention, there are significant policy discussions that you can have around issues that the chair has already discussed. Tickets of...removing the exemption for professional sports, imposing the tax on resale of tickets, and then the other one that I kind of hinted at was taking the LET further away from...because right now it kind of sits in between the federal Cabaret Tax and the federal Admissions Tax, probably leaning more towards the Cabaret Tax side. But then if you look at the tax...or the proposals from former Speaker Kirkpatrick, that kind of moved it closer to being a hybrid of the Admissions Tax and the Entertainment Tax and kind of picking up the pieces of both of those. Before I move on to the last point, Madam Chair, if there are any questions, otherwise I think I can get through the rest of this fairly quickly.

CHAIR NEAL:

Members, any questions? Anything that you think...at this point, I guess it would be if there's anything that you think Fiscal staff should also examine for August in order...in regard to the LET that you might want to know to try to examine whether or not it's a proper or improper tax. Senator Doñate.

SENATOR DOÑATE:

Thank you so much, Chair. Mr. Nakamoto, it's my understanding in past committee hearings, and I think we've done this during session, but the staff have procured for us potential projections in terms of what we would capture if we went after for certain exemptions or...and so forth. Has that data been recalculated for 2025 or 2026 so that at least if we're going to make a decision later down the line, we at least know what can be captured? I know for example, our colleague carried a bill on the ticket resales, and

so we still have those numbers, but is there some sort of calibration or something that we can have in front of us so that way we can take a broader look of what if we reduce amount but we went after this exemption or this portion of state law, it would capture this amount later on?

MR. NAKAMOTO:

Thank you, Senator Doñate. Your recollection is correct, at least in terms of the chair's proposal with things like resale and professional sports. We have done analysis for her, coming up with our best estimates on what we think would be generated from the LET if you added it to resale or removed that professional sports exemption. Depending on what the proposal is, we could attempt to do similar analysis, we could also redo calibrate the analysis that we have done. We have not done that yet based on the most recent actuals and projections for that tax. That is something that we can look at. Then if there are any other proposals that would come along, we can do our best with the information that we have to see if we could come up with something.

SENATOR DOÑATE:

No, thank you for that. I think that's helpful because ultimately I think if there's ability to look at what the tax structure would look like for smaller vendors or providers or smaller events versus larger scale events, I think that looking at those projections could probably help us down the line if we wanted to not create a bifurcation, but look at the structure more of is 8% really equitable for these types of businesses. Or should we look at things on a grander scale, especially if they're one-time? If we have an event that generates, say enthusiasm that we saw at Allegiant Stadium with a K-pop group, is it appropriate to look at capturing more not just for specific industry types? I think what our chair was kind of mentioning is there's an ecosystem that exists when an event or some level of caliber type of occurrence is in an area or in our state. I think that would...the point being is I think looking at those projections would be helpful, at least if we're going to make any decision moving forward.

MR. NAKAMOTO:

Thank you, Senator Doñate. That is something that we can look at. I'm not sure...when you start getting at that micro level of in terms of affecting individual businesses, I don't know how much information we'd be able to glean for you. My immediate thought to that is if you start looking at things like venue size, smaller businesses may tend to have smaller venues, but you may also have some of the gaming establishments here that would have a small club that wouldn't meet those definitions, where the economic impact on them would perhaps be different than on a smaller business, even on the venue size. But that's certainly something that we can think about, to see if we can distill that out, again, not guaranteeing that we would be able to, but it is something that we can certainly keep in mind.

CHAIR NEAL:

Any additional commentary? Any up north? Seeing none, we can just move on to the next item.

MR. NAKAMOTO:

Thank you, Madam Chair. On page...or slide 47 (page 49, [Exhibit A](#)) under *Other Issues and Items for Consideration*, these are the things that I've...some of the things that I've previously mentioned. The exemption—professional sports is the big one that we've talked about, but there are certainly others. The NASCAR exam...exemption would be a good example of that. Imposing the tax on the resale of tickets is something that has gotten a lot of discussion in the last little bit as well. Then additionally, what taxes or events are included in the tax base that is, is it live entertainment or does it go broader into something that resembles an Admissions Tax? That's kind of what Assemblymember Kirkpatrick was looking at with her legislation back in 2013 and 2015.

I'm going to focus a little bit more on this, what events are included in the tax base just to kind of give a little more clarity and some more examples of this. I put together this matrix and I appreciate the Department of Taxation and the Gaming Control Board looking through this and kind of agreeing with generally what's here. I broke it into admissions that are generally not taxed versus types of events that are typically subject to the LET.

The caveat is for some of the admissions that are generally not taxed is, for example, a movie theater or a swimming pool. If you're just paying to get into a movie or to swim, you're not going to, but if you happen to be enter...attending a live entertainment event that is held at one of these venues, it could potentially be subject to the LET as long as it's live entertainment. But just going to a movie, if I wanted to go down to the movie theater and see whatever new hot movie—I haven't gone to a movie theater in years, but that's neither here nor there—that is typically not subject to a live entertainment...or the LET. But that doesn't mean it could not be subject to an Admissions Tax of some sort.

Unarmed combat, such as boxing and MMA [mixed martial arts] is exempt from the tax. As previously noted, NRS 467.107 requires the license fee of 8% to be paid on the gross receipts from admission fees of which the...25% of that goes to the State Athletic Commission's account for their budget. Then the remainder is deposited in the State General Fund.

Club and membership dues are not subject to the tax. They were subject to the federal Admissions Tax for the longest time. It was part of one of Assemblymember Kirkpatrick's proposals back in the mid-2010s. Then entertainment events that are free to the public are not generally taxed because there's no admission to stick...to attach the tax to.

The types of events that are typically taxed, as long as there's admission that is charged: concerts, escort services, plays, and similar theater performances, athletic performances, unless it is an exempt performance that we've specifically mentioned previously, music and artistic festivals. A good example of that one that we know about because they say it's taxable on their website is Burning Man. And comedy or magic shows. As a result, what the LET is, it's kind of a mix between the federal Admissions Tax and the federal Cabaret Tax, but it's not a pure reflection of either tax.

When I was doing all of my research on the history, I found this table (page 52, [Exhibit A](#)) in the National Tax Journal in March 1948 that talked about the amount of admissions that were subject to just the Admissions Tax for 19...for 1948. The predominant was movie theaters, but then you can see after that, legitimate theater and opera. Somehow it does...it makes it sound like movies were not legitimate that it was some sort of bad thing, but I think they're talking about plays and Broadway musicals and things of that sort. Then you can see spectator sports such as college football, professional sports, horse and dog tracks, and then dancing, entertain...other entertainment amusement devices, and so on.

This is what the Entertainment Tax really captured back when it was in existence in Post-war America. We have a tax that doesn't look like this but our LET still picks up some of these events. A lot of the spectator sports, your legitimate theaters and operas, and then...I mean the big one now is concerts. Concerts were not really the huge thing back in 19...in the 1940s, but they are a big driver of entertainment now. The point of this is we have a tax that kind of looks like both, but it probably skews a little more towards cabarets, but there's still a lot of the Admissions Tax inside.

Then when you start thinking about changes to the tax and things that you could consider taxing, the first one is the athletic or recreational activities such as skiing and golf. These are some of the things that were picked up in the 2013 Legislation from Speaker Kirkpatrick. But when she brought it back in the next session, some of these were exempt, but these are things that could be considered. You could consider taxing food, beverages, and merchandise at live entertainment events similar to how they were before 2015, after the creation of the LET in 2003. There were...a lot of the arguments of getting rid of this tax was the case of double taxation because people were already paying the Sales and Use Tax on it. There are the issues around that and around the tax fairness or equity issues. But again, it is an option that is available.

The last one that I should mention are brothels. It's always not necessarily a comfortable topic for some of these committees, but the 2015 legislation had provisions in the definition of escorts that in our estimation ended up exempting brothels from the tax. Basically, if you are an escort, but there is sexual conduct that is provided, it is not live entertainment for the purposes of tax. That is something that you could consider as well. I don't know if I could tell you how much that would generate or what it would do for that industry that is prevalent in certain counties in the state, but it is an option that I thought I would be remiss perhaps if I did not mention.

Lastly, under *Additional Items for Discussion* (page 54, [Exhibit A](#)), is first, alternative methods of taxation of admissions and entertainment. This is us spending a lot of time seeing how other states do this. Then, local government issues. If we start with the alternative methods of taxation of admissions or entertainment, we went through, and actually Ms. Jones went through and did the research on all 50 states and the District of Columbia to see what other states are doing in this venue. There are a number of states, the dozen or so that are listed here (page 56), that do not appear to have any sort of tax on entertainment whatsoever. That I suppose certainly is an option for Nevada if we wanted to completely repeal it, but this...these are the list of states that do not have an Entertainment Tax, at least at the state level [inaudible].

Some of these, it's because they don't have a state sales tax. For example, Alaska, Montana, and Oregon don't have a state sales tax. The rest do not have any sort of admissions tax of any variety, with the exception of Maine. Maine includes admissions in the...as part of their Sales and Use Tax when the admission price is bundled with the purchase of another good. But for our purposes, we didn't really consider that an admissions tax per se.

There are some states that have very limited entertainment or admissions taxes that are on only one type of event or one class of entertainment. Connecticut repealed their entertainment tax...or their admissions tax and only now has a tax on club dues. Massachusetts has a tax that is related on tours and cruises originating in the State of Massachusetts and conducted partly or entirely in the City of Boston and that is the extent of their entertainment tax. Washington State has a...imposes their sales tax on athletic and fitness facility fees only and that's it. That is kind of the middle ground here between not having a tax and having a tax.

Then really there are three different methods of taxation that we found for these taxes. The first one is, we call it a gross receipts tax, but it's not a gross receipts tax in the sense that say the Nevada Commerce Tax is a kind of a gross receipts tax. These gross receipts taxes are functionally similar to a sales tax. It is a rate in the neighborhood of 6% or thereabouts that is imposed on the business, and the business has the right to...or the ability to pass that tax entirely on to the consumer. Functionally, it's a Sales and Use Tax, but legally, there's a bit of a distinction. There are three states that have this kind of tax; Arizona, Hawaii, and New Mexico. It's again, not to be confused...confused with a general gross receipts tax that can't be passed on to the consumer. The Nevada Commerce Tax is a good example, but Delaware and Washington also have those. This is functionally more or less a sales tax, but legally, it is a bit different.

There is also the Admissions Tax structure, similar to what we have for the LET, something that looks like the federal Admissions Tax or the Cabaret Tax of both. There are only two states that we could find that have something like this, us with the LET and South Carolina, but there are other states that use it in very limited applications, for example, that 10% tax that Connecticut has on club or membership dues.

Lastly, is the Sales and Use Tax. There is a statewide Sales and Use Tax in 45 states as well as the District of Columbia, Nevada is included in that. Of these jurisdictions, 27 states and the District of Columbia appear to impose sales tax on at least one type of admissions. Again, there are various exemptions, things to note. I previously mentioned Washington, where their sales tax only applies to certain facility fees for fitness establishments and so on. New York's Sales and Use Tax applies to admissions for professional and collegiate sports, but motion pictures and live dramatic and choreographic and musical performances are exempt. Florida and Georgia, they apply the sales tax to sporting events in general, but if it is a larger event such as the Super Bowl, the Major League Baseball All-Star Game, and World Cup soccer matches, those are exempt from the Sales and Use Tax. Arkansas has perhaps one of the more comprehensive tax bases in terms of sales taxes, where they include things like flea markets and craft shows as well as most entertainment events, unless the tickets are sold by a government entity or a college and university.

This is kind of one of these things where it really varies between states. One of the limitations for Nevada in terms of this...of having it in the sales tax, is the nature of the Sales and Use Tax Act of 1955 in Nevada. These...adding things to the base would require voter approval, but that...this is an option for the Legislature to consider, is moving the tax in...or some aspects of the tax into the state Sales and Use Tax Act. It would provide revenue for local governments as well because they receive Sales and Use Tax revenue, but again, voter approval would be required.

Speaking of local governments, that's my segue into this last part of this, is about local government issues. The first point to make under *Local Admissions/Entertainment Taxes* (page 62, [Exhibit A](#)) is these are common in a lot of jurisdictions that local governments are given authority to impose their own type of entertainment tax or admissions tax. Nevada is not one of those states. We do not have a local version of the LET at the local level. In the most...in most of the states where they're subject to the Sales and Use Tax Act...or their sales and use tax though, the local rates would apply to that. Local governments can receive, in other states, where sales...admissions are subject to sales tax, the local governments who impose a sales and use tax rate can pick up the revenue there.

Some states such as Maryland, Virginia, Washington, and West Virginia have given authority for local governments to impose their own admissions taxes that are completely independent of any state rate. I have given three examples there (page 62, [Exhibit A](#)) of Atlantic City, Baltimore, and Chicago that all impose their own local admission taxes and some of them are separate from a state tax. For example, in New Jersey, they have a state...they impose a sales tax on admissions. So, all of those things would not...in Atlantic City, for example, would be subject to both the state and local sales taxes as well as that luxury tax that they impose there. In Baltimore and Chicago, there are not state-level services taxes. The admissions wouldn't be taxable there at the state level, but they are taxable in the cities of Baltimore and Chicago.

Some of the things to think about in terms of getting revenue for local governments, if that was one of the options that you wanted to consider. The first would be adding that...adding admissions...or entertainment to the existing Sales and Use Tax base would require voter approval. That is if you wanted to go that route and move it into the sales tax base, you would have to go through the voter approval process. I would note that cities and counties do have the general authority to issue local business licenses, such as for cannabis and those are based oftentimes on the gross receipts of the business. If there was the desire for locals to receive some portion of the LET revenue, or some portion of LET revenue, that is a route that you pick up.

There are several other options that are listed there (page 63, [Exhibit A](#)). The first would be to allow local governments to create their own optional LET rates. Any...if you wanted Clark County to allow...to give them the authority to impose their own entertainment rate, you could have that imposed as an optional rate for the county. You could have local governments create their own admissions taxes separate from the LET, kind of getting closer to that Admissions Tax level. You could increase the statewide rate and dedicate a portion to local governments. Say if you went from 9% to 10% and say 9% still goes to the state and 1% goes to the local governments, you could use an example...for example, the consolidated tax distribution to get it to the local governments if you want to do that or there are a number of other ways that you could theoretically do that, but that is an option for you.

The fourth option that's listed here (page 63, [Exhibit A](#)) is maintain the current 9% rate and dedicate a portion to local governments. It would be the State General Fund giving up some amount of revenue. There is actually a fifth option that I did not put on this slide and it is from a bill that the chair had during the 2025 Session, which was her bill on resale from this last legislative session where she increased the base and then took a portion of that revenue and dedicated it to the Regional Transportation Commission of Southern Nevada. That would be a mechanism that you could utilize also.

But then you'd start having to look at the questions of when you start looking at these things, if you decided that local governments should have their own LET rate, or an admissions tax, you probably need to answer a few questions. What is the maximum rate that they could impose? And perhaps getting to the point that the chair made earlier, at what point does the rate become too high? If you're going to allow local governments the ability to raise the tax, you'd have to figure out, "Okay, how much would they be able to do?" Would that tax be identical in form to the LET or would it be something else like an admissions tax? Would cities be allowed to impose their own rates or would they be county rates only? Typically, when we're doing local rates, they're usually county-only rates, at least when it comes to excise taxes like this. City rates or things that are not necessarily complicated...or contemplated under the law for things like the Sales and Use Tax, the Short-Term Car Rental Tax, and things like that.

Then the question of who should receive the proceeds and how should they be allocated, whether you use the current CTX [Consolidated Tax Distribution] mechanism to get it to local governments or you use another mechanism. Who would be responsible for collecting and distributing the tax? You could use the Department of Taxation and the Gaming Control Board and have them collect an extra rate and then distribute it or you could have a different mechanism and have it remitted directly to the local entity. Then if you do have the Department of Taxation or Gaming Control Board being responsible, would they be allowed to keep a portion of the proceeds to cover their costs similar to what we do for things like the Sales and Use Tax Act and some of the excise taxes that are collected and [inaudible]?

If the Legislature were to choose to share a portion of the General Fund LET revenue with local governments, then you have a different set of questions to address. Would you expand the LET base to mitigate or eliminate the loss to the state? Similar to the bill that the chair had. What local governments should receive revenue? Again go...going back to the questions from the previous slide. Should there be specific uses for the tax proceeds by the local governments? The chair's bill from last session, for example, required that the LET provision...proceeds that the RTC [Regional Transportation Commission] received be used specifically for public transit. Whether that is...that...there's that kind of condition to it or not. Then, should there be conditions by which local governments may receive revenue?

For that last bullet point (page 65, [Exhibit A](#)), I will point to S.B 140 of the 82<sup>nd</sup> (2023) Legislative Session, which was a bill that was introduced by Senator Hansen. Basically what it was looking at was for bill...for live entertainment events held in certain smaller accounts, so any county with a population of less than 9,000, which was at the time, Esmerelda, Eureka, Lander, Lincoln, Mineral, Pershing, and Storey Counties, that if there was a live entertainment event held in in that county by a nonprofit organization that met the criteria for LET to be charged on their event, 50% of the proceeds generated from that...the LET from that event would have gone to the county to assist in the costs for the county to hold that event.

The bill was amended to limit the amount, and have the county apply. Basically, they needed to show receipts saying here are our costs, we would like a reimbursement, and it was up to a maximum of \$750,000. The bill got out of committee and did not go any further than that. It was brought back by Senator Hansen in similar form in the last session, did not get a hearing. But that if...that is an option also is that if you're going to share LET revenue with local governments, you could add a condition to it that says it could only happen under certain circumstances, such as the one that was described in Senator Hansen's bill.

There are three examples of bills that propose sharing LET revenue outside of the State General Fund. Senate Bill 266 from the 78<sup>th</sup> (2015) Legislative Session, which has the \$150,000 carve out for the Nevada Arts Council and then S.B. 140 from the 82<sup>nd</sup> (2023) Legislative Session, which was the bill from Senator Hansen that I just mentioned. Then the first reprint of S.B. 431 [83<sup>rd</sup> (2025) Legislative Session] from last session, that was the chair's bill relating to LET proceeds for the RTC of Southern Nevada.

With that Madam Chair, my voice has...is about to give out and it may be lunchtime for all of us. This is the point, I think, where there...if there are any final questions. Thank you.

CHAIR NEAL:

Thank you for your presentation. We're just going to power through. I just want to go through [Agenda Item] VI and then the Committee members can take their lunch home. We will give you a break. I think the only other thing I would add is that in taxation, if you're thinking about principle, like removing exemptions, isn't there...the...a principle of...taxing principle of absorption? Meaning it may hit someone harder in order to remove that because the cost that it takes in order to do the thing or the activity.

I also...if you could put that on the table for the future that if any member is thinking about removing an exemption, thinking about the absorption, if you're also thinking about this local government piece, which I absolutely object to, but if you are thinking through that, I want you to really consider what that means in order to give that, and maybe also in your personal time research when we've given revenue to local government and then you can't pull it back. There's no...they never amend it; they never want to reshare money back with the state.

This receipt proposition in [S.B.] 140 died for multiple reasons. There's also...we've been trying to make sure that the line between fiscal...I would say fiscal home rule and powers that remain with the Legislature are kept kind of intact. I really want you to examine that as you remain in the Legislature for the next however many years, eight, ten, or whatever, that you should also be considering the role and the power of the institution of the Legislature and its fiscal power, revenue power, and then how you would like to work with local governments and how much power financially you would like to give to them where ultimately they no longer listen to you as a Legislature. I mean because that's also the other thing where they're just like, "I couldn't care less what you say, dear Legislature, we're going to do our own thing."

It's just something to consider, the balance of power between local government and the Legislature, and how you want to deal with revenue. They've always been a child of the state, and you would be changing that relationship. You would also have no say, unless you put those super conditions in there to say, well you can only spend it on X, and I will give you A.B. 309 as an example. When there was a laundry list given and it has been used in various ways that may not have been the legislative intent. Then there's no amending the list. I'll just put that out there. With that, we can close this presentation. Thank you, Mr. Nakamoto.

MR. NAKAMOTO:

Thank you, Madam Chair.

CHAIR NEAL:

We will go to Agenda Item VI, which is...this was our follow up on the autonomous vehicles. This is having the DMV [Department of Motor Vehicles] come in because what we learned last time was that the DMV had a role in autonomous vehicles, which was information we were not aware of at the time. We will call Mr. Sever to the table up north.

## **VI. OVERVIEW OF THE REGULATION AND TESTING OF AUTONOMOUS VEHICLES AND SIMILAR FORMS OF TRANSPORTATION IN NEVADA.**

SEAN SEVER (Deputy Administrator, Research and Project Management Division, Department of Motor Vehicles [DMV]):

Thank you, Chair, Committee members. I also have Thomas Martin here. He's a manager at the DMV and does a lot of things with our autonomous vehicle (AV) program. Thank you for letting us present today on the DMV's involvement with AVs. We only have ten slides, which covers our entire program.

Onto the first slide ([Exhibit C](#)). I'll start off with the most important points that we get questions about. Number one, Nevada law allows all AV levels to operate on public streets. The DMV also does not issue permits based on AV level of automation. Then number three, the DMV does not test or certify vehicles prior to testing. In Nevada, all vehicles self-certify to test and operate vehicles on our roadways.

I will talk about both the AV testing, I'll talk about that first, and then the operation of these vehicles. The testing...the manufacturers and developers first submit an AV Testing Registry Application to the DMV. That packet outlines everything for them, which includes bond insurance, bond insurance fees, and other requirements. Once everything is complete, the DMV issues a certificate of compliance, red license plates, and a registration for each vehicle.

Moving on to bonding and insurance requirements. Entities first submit a certificate of insurance. They can either do a certificate of insurance with \$5 million in coverage, they can post a \$5 million surety bond or make a \$5 million cash deposit with the DMV. The insurance requirements all comply with the NRS and if their insurance expires or becomes invalid for any reason, the AV testing certificate and testing license plates will then become invalid until proof of valid insurance is submitted.

Now on to the fee schedule. Testing fees are \$100 for new or renewals, and then license plates are \$20.50 for new vehicles and \$12.00 for renewals.

Crash reporting for crashes that result in personal injury or damage that exceeds \$750 or traffic violations, licensees provide the DMV with incident...an incident report within the ten business days of the incident. Then an SR-1 report is required if the traffic crash isn't investigated by law enforcement.

I'll now move on to the operations component. In this case, the manufacturing developer self-certifies that they are in compliance with NRS 40...482A and then they complete the AV certification registration packet. Once all the requirements are met, the DMV issues a certificate of compliance based on the make, model, and year of the vehicles and then they're off and running.

The safety net for all these vehicles is that they need to comply with the Federal Motor Safety Standards [*sic*], but there are no fees, bond requirements, or cash reporting for them...crash reporting I should say.

In addition to my DMV duties, I also serve as Chair of the NVACTS [Nevada Advisory Committee on Traffic Safety] Traffic Safety Committee and we have launched a working group to look at the safety aspects of our AV programs and laws in our state. We'd like to make the process simpler and smoother for anyone involved and we just had our first meeting the other day, so, more to come on that.

That concludes our presentation. I realize this is a money committee, but I wanted to give you the full picture of what the DMVs involvement is with these vehicles. It's a pretty simple program. I also included a...the email address on the slide if anybody from the public has further questions for us and we can take any questions at this point. Thank you.

CHAIR NEAL:

Thank you for that. Members, any questions? Members up north, do you have any questions? We'll start there. Okay, seeing none. Members down here? Senator Doñate.

SENATOR DOÑATE:

Thank you, Chair. Just more of a logistical question. I think in the last meeting that we had, there was different structures or different tiers that were established in terms of the level of autonomy that vehicles could have. Do...does the DMV have that structure in place so that we can see how many vehicles are currently on the road for this level of autonomy versus reaching full scale? It's more of a logistical question.

THOMAS MARTIN (Management Analyst, DMV):

Sure. Thank you for the question. To you, Senator. We do not track those stats and the different levels of autonomy. Our self-certification process that Mr. Sever alluded to is a pretty simple process and they simply...they attest to the fact if it's a fully AV, then they can say that the redundancy systems are in place for safety concerns, but it doesn't specify what levels into the full autonomous because there's a zero to four level, but we do not track those specifically.

SENATOR DOÑATE:

Thank you. If it's not you, then who would be the appropriate entity? I guess the follow up to that would be, do you have the capacity already to gather that data if it was of the purview of the Legislature to [inaudible] you to do that?

MR. MARTIN:

I would not know who because the AV program, it's...it essentially started with the DMV and has always sat with us as far as the registration goes. I know there's other entities that help with the AV network companies and stuff like that, so I'm not sure if they track that for their business needs. Then, absolutely, there's a way we could track if we had to if legislation was passed to give us that ability.

CHAIR NEAL:

Assemblymember Backus.

ASSEMBLYMEMBER BACKUS:

Thank you so much, Madam Chair. I think I kind of figured out the answer. I had to refresh my memory. Mr. Sever, with respect to our Governmental Services Tax (GST), I was just kind of taking a look. It looks like it is only applicable to registrations under Chapter 482 [of the NRS], so this wouldn't apply to AVs. It's just, as you noted on your slide, the like fee schedule, but they don't have to...they're not required to pay a GST.

MR. MARTIN:

Thank you for the question, Assemblymember, on behalf of Mr. Sever. It is applicable if it's not a vehicle designated as an autonomous testing vehicle. As alluded to, there is two different programs that we work under. There's the testing program and then the operations side of the house. Essentially testing, they do get a red license plate, so they're not required to register the vehicle in Nevada. That's actually a regulatory decision that was made in the past, based on previous legislation.

Then the operations side, they're not required to pay the \$100 fee or the bond insurance, but they are considered established in Nevada and not here just on a testing basis. They do have to register, and those vehicles for those companies do have to pay the GSTs or the supplemental depending on the county they're in, which is probably 100% at this point in Clark County.

ASSEMBLYMEMBER BACKUS:

Thank you so much for that clarity.

CHAIR NEAL:

Members, any additional questions? I have one question on...well, I don't have one, I have four. On the insurance for the AV, is...what are the...what's the difference between the insurance requirement that is on the TNC [Transportation Network Companies] versus an AV? Is there...is it the same level of bond or is it different?

MR. MARTIN:

To my knowledge, it's different. It is different and as far as the bond for us, that's more for the logistical side. If there were to be...if we notice fraud was committed during the application process, if nefarious things were starting to be identified as part of crash reporting, like Mr. Sever noted, then we can take action against those bonds for either damages caused by those that...those nefarious acts and going that route. As far as anybody else's insurance and bonding requirements for AVs specifically, we don't have any say so in that, so I'm not sure how to answer that one.

CHAIR NEAL:

Okay, follow up. Is there any insurance requirement, and I don't know the answer to this, but is...so we have data centers, right? Are...is there an insurance requirement related to the data system in which an AV is using, which may be associated with the crash?

MR. MARTIN:

Not that we impose or we require. There is, again, we kind of consider it an all-encompassing package of the vehicle if it's equipped with an automated driving system as defined by NRS 482A. Once those technologies are put into the vehicle, it's a full package, like I said, and we ensure accordingly. Ensure that insurance is there accordingly.

CHAIR NEAL:

Thank you for that. How did you guys come up with a \$100 business testing certificate? That's a low amount, you don't think?

MR. MARTIN:

I do think, that's very low, yes. Considering to the industry standard, that fee was...it was...I've been in here...have been in the DMV since 2013 and it's been in place since that point, so prior to mine, and it's just always been there and it's always how it's been. I think legislation, and I'd have to go back and look at the year, was presented to try and increase a little bit more of the strength in the program across the whole state, including the fees because, I mean, there's other states that charge thousands for these same exact things we charge \$100 for and we were unsuccessful at that point. Yeah, it is low based on industry standards when others are increasing and ours just kind of maintain.

As far as the other fees, just in case there's a follow up to that, those license plate fees, those are the same exact fees that we would pay as general citizens just for the license plates on our vehicles. That's where those fees come from.

CHAIR NEAL:

Then maybe...and one final question. This probably might be for the NTA [Nevada Transportation Authority] and not you guys, but I guess I'm trying to understand the digital footprint of the crash reporting. The DMV, do you go and look at their, I guess their data system? How is that audited? How do you go and look? Because if it's all computer driven, how do you go and look at that digital footprint of what they are saying was a crash or an anomaly or some kind of traffic violation?

MR. MARTIN:

We do not do an auditing of any sort. We do receive the crash reports and as the program administrator for the DMV, they come to me and my team and we do review them for...to make sure first of all the contents are there and ask any follow-up questions. I will say one thing we've learned is that the technology is usually not at fault based on the crash reports and the investigation done by law enforcement. I...we do not do audits of, well tell us how the system failed. Companies are usually pretty good about telling us that they've looked at recalls for the technology if they noticed a trend in the crash happening because of certain...didn't detect a certain aspect of traffic controls and whatnot. But that is not something that we do not do.

I will say historically, that has...that was in place prior to a legislative session that it kind of took away a lot of the strength again in the program that the DMV had of actually asking companies to come and do a presentation on their technology, help us understand how their redundancy systems kick in for safety concerns, the insurance requirements, and explain everything in an in-person presentation, and then actually require a demonstration, but we no longer have that process as those provisions were taken away back a few sessions ago.

CHAIR NEAL:

Thank you for that. Members, any additional questions? Seeing no additional questions on this presentation, thank you for that.

Ms. Hughes, if you're up there, I have a question related to this topic and data centers if you could come to the table.

Hi, good morning. Well, good afternoon. I don't know. I'm just curious about this. Are the AVs' data co-located within the data centers that are getting abatements? Where is their data housed? Is it in these data centers that we're building?

SHELLIE HUGHES (Executive Director, Department of Taxation):

I do not have the answer to that question, but I can get back to you.

CHAIR NEAL:

Because the question that I want to know, if an AV company, if they are considered a co-located business that falls under the data center abatement, and therefore, the company is also getting an abatement because it is seen as a data...I don't...this is like a hybrid piece, but really it is a data-driven car and it has to house its system somewhere. That is what I really want to know. Is it a co-located business, where it is getting a data center abatement?

Ms. HUGHES:

Yes, I'll get that information for you, Senator Neal.

CHAIR NEAL:

Thank you. With that, we'll close out this presentation for Agenda Item VI and we'll move to Agenda Item VII.

## **VII. REPORT AND DISCUSSION OF FY 2026 YEAR-TO-DATE ACTUAL COLLECTIONS FOR THE STATE GENERAL FUND.**

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

Good afternoon, Chair Neal, Vice Chair Backus, and the members of the Joint Interim Standing Committee on Revenue. Agenda Item VII begins on page 67 of the meeting packet ([Exhibit A](#)). I also have the table up as a presentation. Our Fiscal Year (FY) 2026 year-to-date revenue update includes less tables than our last month's report. The Department of Taxation is replacing the current Unified Tax System with Project MYNT [Modernize Your Nevada Tax]. This transition has affected the timing of when the state receives certain revenues and has distorted our forecast tracking, making FY 2026 year-to-date actual revenues appear significantly above forecast. However, this does not reflect underlying revenue trends, which is why those tables have been omitted from the revenue report.

As part of Phase 1 of Project MYNT, November 2025 postings for Sales and Use Tax, Cigarette Tax, Other Tobacco Tax, and Non-Gaming Live Entertainment Tax were lower than normal. These revenues were recorded approximately 15 days prior to month-end, earlier than historical distribution patterns, resulting in a shortened closing period. This timing disruption has distorted the comparison between actual FY 2026 year-to-date revenues and the forecast, which is based on only half of the revenue collected in the prior fiscal year, resulting in a significant overestimation of actual revenues relative to the forecast. The impact is most pronounced for Sales and Use Tax, which accounts for approximately one-third of the total General Fund revenue.

The Department of Taxation made a catch-up posting at the close of FY 2025. However, due to the structure of our forecasting methodology, the distortion will not fully resolve until the end of FY 2026. At that time, the tables that we presented last month...or in our last meeting, will be updated to accurately reflect actual revenues relative to the forecast.

The Table 5 that is included in your packet on page 67 ([Exhibit A](#)) provides detailed information on all unrestricted General Fund revenue sources including FY 2023 through FY 2025 actuals and FY 2026 year-to-date actuals compared to FY 2025 based on agency reports received through January 2026.

I'm going to go to page 71 ([Exhibit A](#)), which is...shows kind of the bottom line. On page 71, the total General Fund revenue is \$239.4 million, or 11.4%, above last fiscal year's level at the same point in time. However, last fiscal year's reported revenues were artificially low due to the shortened closing period for the tax...for the four taxes I mentioned earlier.

However, if you look beyond these distortions, our experience with the General Fund provides a good understanding of underlying revenue trends, even without the ability to present our typical forecast tables. Revenues currently are about \$125 million above where we would typically expect to be at this point in the fiscal year. This \$125 million is very close to the tables presented at our last month's meeting. Meaning that there has not been a lot of change since last month from what the Fiscal staff can see. That concludes my remarks on this agenda item, and we can answer any questions you may have. Thank you.

CHAIR NEAL:

Members, any questions? Any questions up north? Seeing no questions, thank you for the update that there are distortions in the data.

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

If I could just add one thing to the end of Ms. Powers' presentation. That \$125 million above the forecast is about...like she noted...about where we had the tables of when we presented them at the last meeting through December. As a reminder, there were a number of issues relating to Commerce Tax that didn't post in FY 2025 that is now in FY 2026. Then a timing change that occurred earlier in FY 2026 that added about \$27 million worth of sales tax revenue. Those are also taken into account as well as part of that \$125 million. Of that \$125 million, probably \$105 million or so is from those two taxes and kind of the effects of the administrative changes or the timing in which the taxes are posting. Thank you.

CHAIR NEAL:

Thank you for that. That closes Agenda Item VII and now we will go to Agenda Item VIII, which is public comment.

## VIII. PUBLIC COMMENT.

CHAIR NEAL:

Is there anyone here in [Las] Vegas for public comment?

CASSIE CHARLES (American Federation of State, County and Municipal Employees):

Good afternoon, Chair, and members of the hardworking Interim on Revenue Committee. First and foremost, I want to appreciate your words, Madam Chair, and I am eager to support a brave conversation about sustainable revenue in Nevada because we know well that state employees have often faced the brunt of not having brave conversations. Along with low wages, state employees now pay nearly 20% of their paycheck into PERS [Public Employees' Retirement System] as well as see high out-of-pocket costs for their health care and are staring down yet another potential rate increase later this year. We don't underestimate how costly it is to make improvement for state worker wages and out-of-pocket costs, but every day I hear from members that are struggling to get by. There is no path toward equitable pay and benefits for state workers without adjustments to our revenue structures. We are here both to be a supporter and a partner in those conversations. Thank you.

CHAIR NEAL:

Thank you. Next.

ANDREW CLARKE (Nevada Revenue Coalition):

Hi Chair Neal, members of the Committee. Here today on behalf of the Nevada Revenue Coalition to respectfully urge this body to commit to a serious and comprehensive review of progressive revenue options for the State of Nevada considering some of the budgetary cuts we're seeing to PEBP [Public Employees' Benefits Program], SNAP [Supplemental Nutrition Assistance Program], and education.

We all know Nevada's tax structure is unusually narrow and heavily reliant on sales and other aggressive revenue sources that makes our state particularly vulnerable during economic downturns as we saw during the pandemic and again now with federal tax cuts when we're unable to fully fund existing programs. Because we rely so heavily on sales and consumption taxes, lower- and middle-income families often pay a larger share of their income and state and local taxes than anyone else. Meanwhile, the demands on our public systems continue to grow, we face ongoing challenges in K [Kindergarten]-12 funding, workforce shortages in education and health care, behavioral health capacity, infrastructure needs, and long-term economic diversification.

Nevada is now ranked 47<sup>th</sup> in states to raise a family according to WalletHub, 46<sup>th</sup> in Commonwealth Funds health system rankings chart, and 48<sup>th</sup> in education, while at the same time being the 5<sup>th</sup> most regressive revenue based in the country. These issues directly impact our ability to attract businesses, pay a teacher's wage, retain families, and

remain competitive as a state. This is not a request for immediate tax increases. It is a request for a responsible data-driven process. Over the next year, this Committee has the opportunity to engage stakeholders transparently about the long-term sustainability of some of our current giveaway structures as well as to examine property taxes to find equitable solutions. A thoughtful study of fair revenue pathways would give this legislator [sic] better tools, better data, and greater flexibility to make long-term investments in programs just like PEBP and education. Together, we can reimagine, reinvest, and rebuild our communities. Thank you for your time and dedication to the State of Nevada.

CHAIR NEAL:

Thank you. Is there any public comment up north? Seeing none, we'll go to the phone line. Is there any public comment?

[LCB AUDIO VISUAL AND HEARINGS (AVH) STAFF]:

Chair, the public line is open and working. We have no callers at this time.

## **IX. ADJOURNMENT.**

CHAIR NEAL:

Chair Neal adjourned the meeting at 12:51 p.m.

Respectfully submitted,

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Basia Thomas, Secretary

APPROVED:

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Senator Dina Neal, Chair

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Date