# MINUTES OF THE
# JOINT INTERIM STANDING COMMITTEE ON REVENUE
# (*Nevada Revised Statutes* [NRS] 218E.320 – 218E.330)
# JULY 8, 2026

Chair Dina Neal called the fifth meeting in calendar year 2026 to order at 9:52 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 Duy Nguyen
Assemblymember PK O'Neill

## COMMITTEE MEMBERS EXCUSED:

Senator John Ellison
Assemblymember Danielle Gallant

## LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division
Hayley Owens, Deputy Fiscal Analyst, Fiscal Analysis Division
Kristine Jones, Economist, Fiscal Analysis Division
Bryan Fernley, Chief Deputy Legislative Counsel, Legal Division
Basia Thomas, Committee Secretary, Fiscal Analysis Division
Christy Kaiser, Committee Secretary, Fiscal Analysis Division

## EXHIBITS:

Exhibit A: Meeting Packet
Exhibit B: Public Comment – Kev Galgana, Independent Investigator
Exhibit C: Public Comment – Lee McAllister, Nevada Chapter, American Academy of Pediatrics
Exhibit D: Table 1: Cigarette Tax History
Exhibit E: Table 2: Other Tobacco Products Tax History
Exhibit F: Table 3: Cigarette and OTP Tax Rate History
Exhibit G: Table 4: Cigarette Tax Historical Revenue Table & Charts
Exhibit H: Table 5: Other Tobacco Products Tax Revenue Historical Table & Charts
Exhibit I: Table 6: Combined Cigarette and OTP Tax Revenue Historical Table & Charts
Exhibit J: Year-to-Date Revenue Table
Exhibit K: Public Comment #1 – David Lee Nace
Exhibit L: Public Comment #2 – David Lee Nace

## I. ROLL CALL.

BASIA THOMAS (Secretary, Fiscal Analysis Division, Legislative Counsel Bureau [LCB]) called roll. All members were present except Senator Ellison and Assemblymember Gallant, who were excused.

## II. OPENING REMARKS.

CHAIR NEAL:

I'd like to welcome the folks in the audience. Please silence your phone while this Committee is going on. If you wish to testify, sign in at the front, there is a sheet.

We will be hearing presentations today from the Affordable Housing Tax Credit Program and State Tax Credit Programs used for economic development and related purposes. We will also be having a presentation on the Taxation of Cigarettes and Other Tobacco Products and an update from fiscal staff on a study conducted pursuant to Assembly Bill [A.B.] 457 of the 83rd (2025) Legislative Session and a fiscal update for FY [Fiscal Year] 2026 of year-to-date [YTD] revenue collections.

I will now move to Agenda Item III and open up for public comment.

## III. PUBLIC COMMENT.

CHAIR NEAL:

Is there anyone here for public comment?

KEV GALGANA (Independent Investigator):

Good morning, members of the Committee. I'm here to raise an issue about the Private Investigators Licensing Board (PILB). It's about their Verification of Employment for Armed Security [VEAS] and it's a form that was enforced against Nevada's armed security workforce for 15 years without ever being lawfully adopted. This form is an employment trap because it restricts job mobility and was never vetted through the small business impact process. The truth is that it ultimately protects security corporations and their revenue by making it difficult for armed security guards to leave their company with unnecessary obstacles.

At the June 10 meeting of this month at the PILB quarterly meeting, there were about a dozen public comments about the negative effects of this VEAS form on armed security guards. It is a big issue right now.

The biggest changes to this VEAS form happened during a June 2, 2020, teleconference meeting during COVID-19, with no physical location and when public transparency was minimal. This was when the PILB embedded a $5,000 fine for non-compliance into NAC [*Nevada Administrative Code*] 648.343 without proper rulemaking procedures.

I have also requested missing minute records from Executive Director [Vincent] Saladino on June 28, where there were agendas that confirmed that meetings occurred, but there were no minutes available publicly online. I'm just trying to find out more about this VEAS form and its history.

Overall, I have submitted an evidence packet to the committee secretary (Exhibit B). It includes this fraudulent document, PILB meeting transcripts, and emails previously sent to the LC [Legislative Commission] and LCB [Legislative Counsel Bureau] Audit Divisions, and also a copy of the minutes request that is still pending. Overall, I appreciate this Committee for listening to my testimony this morning and thanks again.

CHAIR NEAL:

Thank you for your public comment. Next.

LEE MCALLISTER (Executive Director, Nevada Chapter of the American Academy of Pediatrics):

Good morning, Chair Neal, Vice Chair Backus, members of the Committee. I'll be brief. Our full evidence-based written comment (Exhibit C) is being submitted electronically to the Committee today, but here's what I want you to sit with…Nevada's Cigarette Tax hasn't moved since 2015—11 years. In that same 11 years, a candy-flavored vape became cheaper, easier to hide, and easier to get than a pack of cigarettes ever was when I was a teenager.

Every pediatrician in this state can describe what nicotine addiction looks like in a 14-year-old: the withdrawal, the secrecy, the grades that slip because a kid can't sit through a class period without a hit off a vape in the bathroom.

You have one of the most effective tools in public health sitting in front of you right now, and it costs the state nothing to use it. Raise the tax and put real money behind helping kids quit. Every year this stays frozen, a new 14-year-old finds out how cheap it is to start. Thank you.

CHAIR NEAL:

Thank you for your testimony. Is there anyone else for public comment in Las Vegas? Seeing none, is there anyone in Carson City for public comment? Seeing no one in Carson City, is there anyone online for public comment?

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

Chair, your public line is open and working, but we have no callers at this time.

CHAIR NEAL:

Thank you for that. We will close Agenda Item III. We'll go to Agenda Item IV, which is the approval of the minutes from the April 1, 2026, meeting.

## IV. APPROVAL OF THE MINUTES OF THE APRIL 1, 2026, MEETING.

CHAIR NEAL:

Has everyone…the minutes are in your packet. Has everyone had a chance to review those minutes? Are there any questions? Seeing no questions, I will entertain a motion to approve the April 1, 2026, meeting minutes.

> SENATOR DOÑATE MOVED TO APPROVE THE MINUTES OF THE APRIL 1, 2026, MEETING.
>
> ASSEMBLYMEMBER D'SILVA SECONDED THE MOTION.

CHAIR NEAL:

I have a first from Senator Doñate. I have a second from Assemblymember D'Silva. All in favor say aye. Any opposed? Seeing no opposition, the motion passes.

> THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

CHAIR NEAL:

We will now move to Agenda Item IV [*sic*], which is the discussion of the Affordable Housing Tax Credit Program.

## V. OVERVIEW AND DISCUSSION OF THE AFFORDABLE HOUSING TAX CREDIT PROGRAM.

CHAIR NEAL:

We will call Mr. Aichroth and Christine Hess to the table up north. You may begin when you are ready.

STEPHEN AICHROTH (Administrator, Nevada Housing Division [NHD], Department of Business and Industry [B&I]):

Good morning, Chair Neal, Vice Chair Backus, members of the Committee. Thank you for allowing us to present this morning. With me to my right is Christine Hess, she is the Chief Financial Officer (CFO) of our division, and we're absolutely elated that we can talk about affordable housing to this group and the use of Nevada transferable state tax credits for affordable housing.

Real quick, most of you know this, but the NHD is a division in the B&I, we were established 51 years ago (page 54, Exhibit A). We are your state housing finance agency, and we run a number of programs including: home ownership, manufactured housing, federal grants that come in, but specifically today, we're going to talk about the state tax credits and their intersection with multi-family rental units.

The Nevada transferable state tax credits for affordable housing really evolved going back about ten years to the 79th (2017) Legislative Session when an interim committee to study affordable housing was created and chaired by former Senator [Julia] Ratti (page 55, Exhibit A). Five bills came out of that study, four of them passing in the 80th (2019) Legislative Session, one of those was S.B. [Senate Bill] 448, which actually created the Nevada transferable state tax credits.

Couple of things to note here, when they were passed in the 80th (2019) Legislative Session, the effective date when we could start to potentially issue tax credits was January 1, 2020. Not to bring up some bad memories, but it was only two months later that COVID-19 hit, the state shut down, and we were not only furloughed, couldn't hire, freezes, all of that sort of stuff as these tax credits are impacting the General Funds, which was a huge concern at that time. We did not issue any tax credits while we were in that situation.

It was also determined, as we had this pause in the program, that some of the language that was in the original bill did not mesh correctly with what is called Low-Income Housing Tax Credits, LIHTC. Just for this Committee's knowledge, when we talk about LIHTC, those are federal tax credits that develop roughly about 90% of the multi-family affordable housing in the state. Here we're going to focus on state tax credits, but if you hear the word LIHTC, those are the Low-Income Housing Tax Credits, that's the federal program, so I want to make sure that you understand that there is a distinction between those two.

The total amount authorized in 2019 was $40 million, in which case we could not exceed $10 million per state, or per fiscal year. However, if we had additional projects, we could go up to $13 million issued in a fiscal year. Twenty-seven states currently have state tax credit programs that they're administrating throughout the country, we are one of those 27. The state tax credits can be used against Gaming License Fees, Business Tax, and Insurance Tax.

Effectively, as we develop this program, and we'll go into exactly how that's structured here momentarily (page 56, Exhibit A), there's primarily some benefits in this public-private workshop, or public-private partnership, where tenants can benefit because there's less debt in the apartment complex, therefore rents can be kept low; the investors use tax credits to increase the cash flow; and of course there is the public benefit of developing affordable housing through the state. With that, to talk about exactly how that's done, I am going to turn it over to Christine Hess.

CHRISTINE HESS (Chief Financial Officer, Nevada Housing Division, B&I):

Thank you, Administrator. Good morning, Madam Chair, members of the Committee. Before you here is a graphic that really illustrates how the state tax credits come into the project (page 57, Exhibit A), I also…on the next slide, we'll take a look at it, how it looks in the capital stack, how it actually finances the project. But right here, what I'm hoping to do is just give you an idea of how our development community accesses the Nevada state tax credits.

The program guidance for the state tax credits is found in the Qualified Allocation Plan, or the QAP, the QAP is adopted on an annual basis. When the original legislation was developed in the 80th (2019) Legislative Session, the intent was to always bring the state tax credits in for new construction only, and we have held to that. These state tax credits come in for new construction of multi-family rental housing. Additionally, the conversation was to bring them in for the 4% LIHTC projects. They do not come into any developments that are not LIHTC projects, and initially they were only allowed and available to 4% LIHTC new construction. In 2025 was the first year that we allowed also for the 9% LIHTC applicants to request the Nevada state tax credits. The guidance is in the QAP, which is adopted on an annual basis and goes through a public workshop process. We collect comments from stakeholders, advocates, builders, developers, anybody in Nevada through the public process that informs the QAP. It is adopted on an annual basis by the NHD Administrator and published on our website for applicants.

The process to apply for the state tax credits when it comes through the 9% program is competitive. Additionally, in the bond program, it's competitive differently, but also competitive in that we require, in order to qualify for any state soft financing or state tax credits in the 2026 QAP, we require a minimum of $0.80 federal tax credit pricing.

We start to get into the weeds and I'm happy to do so, but I don't want to overwhelm with a whole bunch of numbers and jargon that you may or may not be interested in. Additionally, what's important to know, is when these funds come in, when the state tax credits are awarded, the developers also commit to a certain number of units as part of their project that are below the typical and required federal LIHTC Area Median Income [AMI] for the households, which is 60%. We require a certain number of either 50% or 30% AMI units to be added or some combination thereof.

Keep in mind, when the state tax credits were originally authorized and approved by the Legislature, again, they're approved as a gap financing mechanism. We have to balance the number of lower than 60% AMI units that we're requiring with the need to fill a gap, because if we require too many 30% units in order to access the state tax credits, they're not actually serving a gap financing space. It gets again a little bit into the weeds, but essentially, we award these credits in the 9%, they go through a competitive application round in the 4%, competitive but different, and they are approved at the Board of Finance meeting, which are held six times a year.

Prior to financial close, the project undergoes a final application and underwriting. This is actually a requirement of the NRS [*Nevada Revised Statues*], and I'd like to point out, legislators, this was really a fantastic thing to require. Because what happens is about the week before financial close, the NHD third party does a final underwriting, and if the project requested $3 million in state tax credits, things shift as we get close to financial close. If something's changed and they don't need the full $3 million, we take some of those back. That has happened on a couple of occasions where we've been able to preserve future tax credits.

The tax credits come in, the project sells the tax credit to a private sector investor, as Administrator Aichroth noted on the previous slide, the entities that are eligible are defined as Gaming License Fees, Insurance Tax, and Business Tax. Those are the entities that qualify under there, they can have a…apply for the state tax credits or receive the state tax credits there.

With that, I'm going to save some of my other information on the state tax credits for a couple of slides later. But at this point, I do want to talk about how that looks like since we're talking about it here (page 58, Exhibit A).

Again, as we're getting into financial close, the projects identified a potential investor, that investor identifies a price, the state tax credits are just a slice of the financial capital stack it takes to build an affordable family project or senior project.

I provided an example of a 300-family unit, new construction project of a 4%, this is an actual project, and what a capital stack looked like for this project (page 58, Exhibit A). In this case, with the state tax credits, they provided eight units that were at or below 50% of the AMI. Again, if you'll recall, the federal LIHTC limit is 60%, so we did get some units that are serving household incomes that are lower. But the state tax credits in this example represent only 2% of the capital stack. State…when we think of the leverage of the state investment of state tax credits, you can see our state funds are highly leveraged. We have a significant amount of other funds and private capital coming to the table alongside a very small amount of state funds.

In this case, the dark blue represents the tax-exempt bonds that come to the table and those are what are approved at the Board of Finance (page 58, Exhibit A). In the orange is the 4% federal LIHTC equity, the equity investor there. Next in the red here you'll see at 2%, the Nevada state tax credits are represented in this project. We have additional soft financing or other financing that will likely come to the table, for the purposes of this conversation that can look like HUD [U.S. Department of Housing and Urban Development] home funds, HUD home housing trust funds that may come from the state, they may come from a local jurisdiction. It could look like NHD gap financing, which is the growing Affordable Housing Program (AHP) fund. It could be the Federal Home Loan Bank (FHLBank) AHP grant funds. That soft financing or other financing that comes to the table is another critical component to get these projects to financial close.

Then in the yellow, the deferred developer fee, in this case represents 9% of the capital stack (page 58, Exhibit A). What's important to note is the developers have skin in the game. Sometimes…in the green I have that other financing, that might be a sponsor loan or seller loan going forward, but the deferred developer fee is also their skin in the game. You're not seeing any state tax credits awarded without some developer fee deferred. Sometimes the developer fee deferred can be as high as 100% of the developer fee deferred depending on the projects, sometimes it's 30% or 40%, but we are definitely having our developers put their skin in the game as well, alongside our state funds.

Our state tax credits to date, as Administrator Aichroth noted (page 59, Exhibit A), they were difficult to get started both due to COVID-19 and also due to some clunkiness in the original legislation that needed to get remedied in order to effectively deploy the state tax credits. I want to note here on the utilization and I've worked with the Department of Taxation [Taxation] a little on this as well, we go by when they're approved, the usage to date is when we've approved them. The reason being is that the state tax credits can be taken over a four-year period, and at the NHD, I can't know exactly when that's happening. We needed to, in order to meet the statutory requirement of not committing more than $10 million annually, we needed to settle on a designation that could be tracked, monitored, and meet statutory guidance. In this case, we go by the approval date.

In State Fiscal Year [SFY] 2022, as you'll see, there were none approved, SFY 2023 $6.0 million, SFY 2024 $7.7 million, SFY 2025 $10.6 million, and SFY 2026 $9.3 million. In statute, we are allowed to approve, in this case I'll say, over $10.0 million, but the following year, the subsequent year has to reduce the amount. We can actually go up as high as $13.0 million depending on the preceding year, the subsequent year though, is then reduced from the $10.0 million mark.

To date, through SFY 2026, the NHD has committed $33.725 million of state tax credits across 14 projects. This is the part that I had to hold myself back on because it's where I get very excited, because the NHD will often speak on panels with our other partners across the country about their state tax credit programs, and we are always the envy, because our state tax credits, by the nature of how they were designed, we are getting $0.89 to $0.90 on the dollar. Some of our state partners are getting $0.60 on the dollar. I just again, I want to thank this Legislature and this body, obviously, former Senator Ratti in the original form, and the division as they move through that original form. That design of the state tax credits has really been helpful in us maximizing the state tax credits for affordable housing.

The total number of units produced to date, remember these are all new construction, 3,248 units (page 59, Exhibit A). In SFY 2027, so starting July 1 of this month, we have available $6.275 million. I anticipate that to go at either the August or October Board of Finance. We'll likely move through all of those state tax credits.

That concludes our PowerPoint presentation, but of course, we're happy to stand for questions.

CHAIR NEAL:

Thank you for your presentation. Members do you have any questions? Senator Doñate.

SENATOR DOÑATE:

Thank you, Madam Chair. This is more of a two-part generalized question. Is, by any chance, do you know, is the division, I know that there's a lot of money that we've allocated in terms of affordable housing through ARPA [American Rescue Plan Act] funds and so forth. Is the division track…and through this tax credit, of course, as well…does the division track any data in terms of ensuring that the affordable housing units that are being developed through these tax credits or through any other mechanism through the division, are going towards bona fide Nevada residents? I think there's…I was in a meeting that there was perhaps a concern that folks moving from out of state into the State of Nevada perhaps were taking advantage of the programs versus the ones who have established their residency here or have grew up here. Is that something that you guys already track in terms of metrics?

Then the other question was, I noticed that a lot of the tax credit, and it might be something that we have to revise in state law, is geared towards new construction. I presume you probably have had developers come back to you looking at the expansion of current units. I don't know if that's something that you guys are looking at down the road of how do we increase our current base as well beyond the new construction.

MR. AICHROTH:

I'll take the first question; I may need a reminder on the second question as we work through this. Effectively, as was indicated, these are combined with the federal LIHTC projects. Those projects have specific requirements that are created through the Internal Revenue Service [IRS], and those…whatever the residency requirements are around those is what we are going to follow in that particular program. To answer your question directly, we don't have specific data on where these folks are coming from as residents, but if they qualify for the program based on the laws and rules and regulations established by the IRS, that's what we're going to adhere to.

As far as the second question, can you repeat it?

SENATOR DOÑATE:

Thank you. It was more so if you're receiving…it looks like the tax credits are geared towards new construction. My question was in regards to, are you look…have any developers that you work with or have they brought up the idea of expanding their current units that they have as another vehicle to it? I guess my question is are there any limitations that we're currently seeing with the tax credit that we should look at revising?

MR. AICHROTH:

Thank you, that's helpful. Effectively, when we established this program, the single largest gaps are in new construction; new development. That's where we've identified, and particularly in the 4% program, where these tax credits would be most effective and best used, and we're going to get the biggest bang for our buck. It was really in the spirit of creating new affordable units that this was done.

Now over time, we are now starting to see gaps also in the 9% program and that's why last year we adjusted our QAP so that these funds could be used both in the 4% program and the 9% program. The difference between those two programs, without getting in the weeds, is the amount of equity that is brought to the project. That's why when you have the larger gap, this is where this can be more effective. When Ms. Hess was showing the capital stack, the equity brought in through the 9% program is much, much higher. For a while we did not have the need for the state tax credits in that particular program, so it was really in our bond finance programs.

Now, I think one of the things you're alluding to is potentially preservation. Preservation is the keeping of affordable units and making sure that they stay within the program. Again, the gaps are typically lower in that type of rehabilitation construction. We have not used the state tax credits in that way. Because we have it tied to the QAP, if we see a need for that, we can certainly adjust on an annual basis as to addressing that situation should it arise.

MS. HESS:

I would just add, thank you for the question, Senator. Yes, we are listening. I would say there's not been an overwhelming cry in our public workshops to have the state tax credits be dedicated to preservation for the reasons that the Administrator noted. But in terms of evaluating the program and listening for the opportunities, adding the 9% was one example. Even going further, with the Supportive Housing Development Account [*sic*] that was created in the 82nd (2023) Legislative Session, and supportive housing really coming into its own, if you will, in Nevada as a defined housing, we also in the QAP, have allowed and incentivized the support of housing projects with the state tax credits. Just a couple of examples of how we've pivoted again not too far from the original, certainly not far at all from the intent, but meaning the way it was presented as new construction and adding units, filling the gaps. We've maintained that but yet still been able to utilize the state tax credits where needed across Nevada for affordable housing.

CHAIR NEAL:

Members, any additional questions online? Do you have any questions? Up north, Assemblymember O'Neill?

I have one question, maybe two, just to follow up on the preservation conversation, is there…has there been any discussions in the past on doing preservation for single family residences across the state?

MR. AICHROTH:

There hasn't been historically. However, that's something, actually, we're having active discussions with…at the division, for two reasons. Number one, we know it's potentially needed. We have used our other funds, Weatherization Funds or State Affordable Housing Trust Funds, in those particular situations we're working with our subgrantees.

The other component is the current federal legislation that awaits the President's signature that does talk about some of that. I'm going to caveat that with: we haven't done a deep dive into it yet because it's still being…legislation that's still being considered, if you will. We are learning about it, but I believe that is, particularly in the manufactured housing space, one of the components of that particular bill. No money allocated to it is my understanding, but sort of the allowance and working through that process is part of that particular bill. Yes, it's an active conversation here at the division.

CHAIR NEAL:

Then the second question is, are you guys trying to maintain the $40 million that was appropriated in 2019, or are you guys trying to go a little bit above that?

MR. AICHROTH:

Thank you for the question. That's really kind of gets to the crux of where we're at. If you look at the last slide that we had with the $33.0 million (page 59, Exhibit A), that has been already allocated and the $6.7 [*sic*] million that is probably going to be allocated over the course of the next three months. That $40.0 million well, if you will, has now run dry. This program will effectively sunset without additional funding that would be granted, potentially, in the 84th (2027) Legislative Session.

MS. HESS:

If I may also add on to that. Yes, as noted, we'll be out of state tax credits at the end of…for sure by the second fiscal year quarter. We do have other gap financing resources, that are also limited. Additionally, and I smile when I look back at the original testimony, the affordable housing finance gaps were $3 million. That is not the case, in fact, at this time. In fact, I believe it was just in 2024, the first time that we allowed state tax credits to be paired with the division GAHP, Growing Affordable Housing Program, funds side by side. The reason why we paired them side by side is the gap was too big, it was above $3 million, and we were still limiting state tax credits at $3 million.

I believe in the 2025 QAP, we allowed up to $4 million for big projects, 400 units, because again, our $3 million was for 200 units, and we've been seeing larger projects come through, but the gaps are bigger. I think the consideration, Chair Neal, is really two-part, if this Committee wishes, with all due respect, to have that consideration, is how much? Right now, at $10 million limited a year, that's three projects, three and a half projects, if we stick to $3 million. If we have a big one at $4 million, two big ones at $4 million, two and a half projects that state tax credits are coming to. Does the Committee wish to consider the amount per year? That's an opportunity. That said, the $10 million helps and we are definitely making good use of it. That again, final underwriting, we're clawing back every bit that we can, so that we can make sure that whatever is needed is truly financially feasible and needed.

Additionally, the time period, is it another $40 million? Is it $60 million? Where does the state want to go? Again, remember this is over time. Is it $60 million that would then at $10 million a year, go another six years? I think those are the considerations for the Committee that can be made. But, it's an excellent program. I am so proud when I am alongside my national partners to talk about the Nevada state tax credits. We…the way they have been rolled out is truly fantastic and a good use of the public dollars.

CHAIR NEAL:

Thank you for that. What I'm hearing are two parts. The threshold needs to be changed on the annual usage and then also the $40 million should be increased. I'm sure you've thought through this. What is…let's say $40 million…let's say there was a do-over in 2027 and it was not the…it wasn't the $40 million program, there was a new number. I'm not talking about stacking; I'm talking about a new number. What would the new number be? Are we talking about $60 million? Are we talking…what are we talking about?

MS. HESS:

I'll say this and it sounds funny coming out of my mouth. Conservatively, even though we're talking tens of millions, but if I were to take a conservative approach to continue a successful program into the future, give our developers certainty about what they can expect from the state, I think a number around $60 million. Then, if we thought about it and said, "Oh, $12 million," you could think about a five-year run and again have further opportunity to evaluate the program, track the program, weigh in. Are we using it now for preservation? Has that been a demand? Is it still a new construction? What does that look like? I think…have gaps gone down, that would be nice…I think that would be a conservative approach, the division would welcome anything additional. Obviously, we could go greater. Is $15 million a year fantastic? I can tell you we would put it to use, but knowing the challenges and what you're balancing, I'll lead with that conservative perspective. I see the Administrator here nodding next to me.

MR. AICHROTH:

That's sort of the number that we were eyeballing. To Christine's point, whether it's $10 million, $12 million, $15 million, we can work with any of those parameters as we go through, provided we still have the flexibility, depending on demand, to go a little bit above and then subsequently a little bit below. That was the consideration as we move this forward last session and happy to have those same conversations again this session.

CHAIR NEAL:

To be clear, when you mentioned the five years, Ms. Hess, did you mean eligibility for five years from date of issuance rather than four?

MS. HESS:

No, I was just saying if we had an additional $60 million authorized in the 84th (2027) Legislative Session, if the limit was $12 million a year, we could see five years of a state tax credit going forward. If we go as high as $15 million a year, that would be another four years with a state tax credit program live. If we go $10 million, we would have six years of the state tax credit program being live and active and not a need to reauthorize.

CHAIR NEAL:

But you're saying…because I think we're saying…I'm hearing what you're saying, but I think I was saying something different, which is, are you saying $40 million plus $60 million? As so totaling $100 million, or are you saying the total amount authorized if it went up to $60 million?

MR. AICHROTH:

If you're modifying the existing statute, for lack of a better word, of $40 million, you would increase it to $100 million allowing an additional $60 million spread over the next four, five, six years.

CHAIR NEAL:

That's your conservative approach? What if it was $80 million? What if it was an additional $40 million?

MR. AICHROTH:

As Christine Hess alluded to earlier, we'll take it and we'll use it and we'll build and then we'll probably come to you two years before, if it were $60 million, if that makes sense.

CHAIR NEAL:

It does. Go ahead.

Ms. Hess:

I think, obviously, there's a lot of considerations and we'll have the Economic Forum that will help inform all of this. But I think to me, if I'm sitting and thinking about what the total amount is, of course we're committing into the future years, so there's that consideration. It's really, do we want…I think the biggest impacts to the state will come on the annual amount allowed, whether it's $10 million, $12 million, or $15 million. The program has been utilized well; the public dollars have been leveraged amazingly well. It's what runway do you want to give the building development community going forward, to know that they have this source of funding that they can think about when they're developing their projects.

Because that's how it works is as they're purchasing the land or getting a purchase and sale agreement on the land, they're still probably two years away from knocking on my door. But they're thinking about what am I going to be able to access going forward. Truly, for us, we'll work however you'd like us to work. If there's only $40 million available, if this group thinks that $10 million is the responsible number to land on a year, that's another four years. And we've done incredible work, as you saw, in four years' time with that amount. If this group wants to potentially authorize more per year, I can't tell you that we would get more projects done because the gaps are so big, it may be that they still fund the same amount of projects, just the projects don't have to go scrounging for other gap financing because maybe they can come to one place and have what they need instead of trying to get $1 million of home funds. That's not bad either.

I think from our perspective, Chair Neal, how this body thinks is best, how the Economic Forum in the state…the state's financials look, we can work with anything. I think the $10 million would be a minimum. If we did less than $10 million, it would likely not be, on an annual basis, as effective. Then for the number of years going forward, the $40 million worked really well, it gives again the development community a time to plan.

CHAIR NEAL:

No, it's good information. I'm just asking so I get an understanding on what's the need. It is something that this Committee wants to take up. I'm just rolodexing while this conversation is going on, what credits are on the books and when they are coming off, to figure out a staggered approach. Because, currently we have the baseball stadium, which was tax credits, which was $180 million. We have film credit that is $10 million that comes off every year, it has a carry forward provision. Then we have the New Market Tax Credits, which is, because it's a staggered…it's $25 million, and although it ends, I believe, in FY 2031 or FY 2032. I'm just looking at the ways in which we can create capacity, knowing what's on the books.

Clearly, the baseball stadium is on for what, is it 25 years, 30 years? How long? It's 5 years? The baseball stadium is coming off in 5 years? That's good news. I'm sorry, I probably shouldn't have said that out loud. I'm just thinking about…because when we think about the totals of what's there and how we can give an increase now and then give a further increase later as certain credits come off of the books, in order to then fund housing. I'm just thinking about that, that's why I was just in my head there for a minute.

I think this is a good start to have this presentation; this is something that the Revenue Committee wants to take up. I think the thing that we want to think through is how do we protect housing in the State of Nevada? How do we do preservation for single-family? How do we get some rural movement? What is that dollar amount? Then how we can push in, maybe around 2030, get some additional dollars, and then, in 2032, some additional dollars, as the other tax credit programs fall off the books? Then there is more room to play without folks saying there's too much tax credits going out of the door. That's something I just want you guys to consider or be open to, is a staggered approach. Keeping it alive, but then adding in later years as credits come off. Does that make sense?

MR. AICHROTH:

That makes perfect sense, Chair Neal.

CHAIR NEAL:

I don't see members having any additional questions, so we will go ahead and close this presentation. We thank you guys. Assemblymember Backus, go ahead.

ASSEMBLYMEMBER BACKUS:

Thank you so much. Sorry about that, Chair Neal. You started going down one avenue and it kind of went to my question I was going to pose, but then I pulled it back.

My question for the Administrator and Ms. [Hess], our CFO of the NHD is, I keep thinking about all the wonderful work you did with the $500 million ARPA money. It was always money that I don't think we've ever worried about getting spent and building units, we're seeing them all around Nevada. I struggle and this is a policy question, I think about these tax credits…the nice thing about the program is that they're not really being captured, it's hitting future budgets as negative revenue. I'm happy that you're getting $0.80 to $0.90 on the dollar, but the reality is…I keep thinking to myself if this money was directly given to your division and then issued as additional gap funding, as you've been able to do with the ARPA money, I feel we'd get more for our dollars. The downside is then we have to plan for it in the current fiscal years, while we're still getting potential hits on the tax credit. Just wanted to get your opinion. Is it easier, if we had unlimited money in Nevada, always a wishful thinking, but if the ask was for the true dollars of, I think I calculated it being $22 million a fiscal year, maybe with some rollover between the budget years. Is that easier for you all? Would that require then maybe less help on having to sell the tax credits? Trying to figure out what's the better need for you all weighing a tax credit versus a one-time appropriation.

MS. HESS:

Such a great question. It would be less expensive for the projects, 100%. The state tax credits add administrative costs to the division. Definitely costs to the projects as they bring in syndicators and support around extra counsel to insert these state tax credits. The thought of them coming in as a different type of financing is a possibility.

Typically, the division is lending into projects, and I think the $500 million Home Means Nevada Initiative is a great example. Of that $500 million, $212 million are loans that are not forgivable. The State of Nevada will see those funds come back. Probably not while the Administrator and I are here, because the U.S. Department of the Treasury (Treasury) requires that they can't be paid back until they're close to their term. It was strange language from Treasury guidance.

Yes, I think there is a possibility that we could as effectively, potentially more effectively, deploy the funds in that manner. That said, we have the existing infrastructure, we have the players in the state ready. It is also exciting from a public-private partnership to engage other sectors. We've…in the Modified Business Tax (MBT) arena, I think we've seen some medical supply companies coming in. I don't think we've yet had gaming come in and claim. In some ways, you're seeing that engagement of the private sector from our state in affordable housing as well. You would risk that loss of them participating and talking about their participation. That might be actually one of the bigger losses, to go away from a state tax credit, is that partnership that we have with our private sector in Nevada. Just some thoughts off the top of my head, Assemblymember Backus, always great questions. Thank you.

ASSEMBLYMEMBER BACKUS:

Thank you so much. I believe with the ARPA money those were distributed through grants if I understood correctly.

MS. HESS:

Grants and loans. Two hundred and twelve million of the $500 million went out actually as loans. The others went out as grants. I'm not going to do math for $290 million, $288 million.

ASSEMBLYMEMBER BACKUS:

You guys are good. Thank you. I think it's $288 million, but thank you, have a good one.

CHAIR NEAL:

Thank you for that. Any additional questions? Seeing none, we will go ahead and close Agenda Item V. We thank you guys for your presentation.

## VI. OVERVIEW OF STATE TAX CREDIT PROGRAMS USED FOR ECONOMIC DEVELOPMENT AND RELATED PURPOSES.

CHAIR NEAL:

We will open up for Agenda Item VI and bring Mr. [Michael] Nakamoto to the table.

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

Thank you, Madam Chair, members of the Joint Interim Standing Committee [JISC] on Revenue. This actually turned out to be a better segue than I thought going into tax credits in general. This is the presentation that we deferred from the last meeting, as you will probably all recall. We were able to do some revisions and add a couple of slides to it. I'm glad that we had that because there's some information that we have in here.

This was designed to piggyback on the presentation that the Governor's Office of Economic Development (GOED) did on abatements. Where I started with this presentation is just talking about economic development incentives in general (page 62, Exhibit A). I'm not going to spend a lot of time on these other than just a walk through. My philosophy, or my thought in putting these together is, there are a number of things that I list here that are probably not what we…you would consider…what a lot of people would consider to be economic development. But if you think about economic development as a policy where the governments—federal, state, and local government—uses some sort of incentive or spends some sort of money, to better the economic conditions of its citizens, then a lot of these would fit in that definition of economic development.

The first one is abatements (page 62, Exhibit A), and I'm not going to talk about them other than they exist and that there are incentive packages that allow for the reduction or elimination of certain taxes for a specified period of time. The next one is workforce development and we've talked about that one a lot in this Committee as well. Whether it's a state or local agency, or an educational system, K [kindergarten]-12 or higher education, providing job training for businesses that are seeking to locate in their jurisdictions.

The next one is one that we don't talk about a lot here. It's more about…in government affairs…is tax increment financing. Basically, that is the creation of a district where future property tax revenues within that district or TID [Tax Increment District], are pledged for development within that district. This is something that is utilized both here in the south as well as in Northern Nevada.

Next are STAR [Sales Tax Anticipated Revenue] Bonds (page 63, Exhibit A), and I talked about that when we did the sales tax presentation. STAR bonds are issued to provide financing for a project, which are paid using Sales and Use Tax revenue generated by the project, something that is in place in several areas of the state, as well as in other places, most particularly the State of Kansas.

The next one is infrastructure improvements. This can be tied to a specific project. A good example is the construction of U.S.A. Parkway, which was part of the Tesla Gigafactory proposal back in 2014. The state, as part of the incentive package, finished U.S.A. Parkway all the way from Highway I [Interstate]-80 down to U.S. [State Route] 50, just outside of Silver Springs.

It doesn't necessarily have to be about a project. If you think about economic development more broadly, improvements to freeways that will help people get to work faster, will help commerce move through more quickly, that can be used as an economic development tool. You are bettering economic conditions for your citizens and businesses.

The next one are low-interest loans. For example, the U.S. Small Business Administration can guarantee loans that are used to provide funding for these businesses.

Next are grants; these are financial incentives that are given directly to businesses (page 64, Exhibit A). I listed two here, one for the Ford Motor Company in Michigan, to build an EV [electric vehicle] battery factory. Then another one, given by the State of Ohio, to Intel, to build two chip manufacturing plants near Columbus. Now these are…the grants are a big one for a lot of states, but this is something that we typically don't do.

This is kind of where it segues into the use of tax credits. Tax credits are actually the mechanism that the state has preferred in terms of providing an economic development incentive. Tax credits, at their fundamental core, allow for a dollar-for-dollar reduction of tax liability for the person or business who receives the credit (page 65, Exhibit A). This tax credit can take several different forms. They can be non-transferable; that is, the person who receives it is the one who has to use it. Transferable tax credits, and we have a lot of those, can be transferred. When we say transferred, we really mean sold. They're transferred to another person or entity, who can then use the credit against their own tax liability. Then the last one are refundable tax credits, and those are tax credits that can be used against your tax liability. If you can't use the entire amount of the credit, you get the balance refunded to you in the form of cash. That's something that we don't do in Nevada; we have transferable or non-transferable credits only, there are no refundable credits authorized in state law. The best example I can give of a refundable tax credit is the Federal Earned Income Tax Credit. Lower income people, with eligible dependents, mainly children, are able to earn the earned income tax credit and it is a refundable credit. If the amount of the credit exceeds their tax liability, then the Internal Revenue Service is going to cut them a check and send the balance back to them.

Tax credits have a significant effect on the state budget, potentially (page 66, Exhibit A). They are something that the Economic Forum will forecast and they operate a lot differently than your standard economic development incentives, typically abatements. If GOED or the Energy Office [Governor's Office of Energy] give abatements of sales tax, property tax, or Modified Business Tax (MBT), the state and local governments are foregoing revenue that they wouldn't have been collected. They always use that but for, "But for this incentive the business wouldn't have come here, you wouldn't have gotten

the revenue anyway." That's at least how it is supposed to work. If the tax credits are used by the entity who earns the credit, it operates in a similar fashion. Basically, the state is foregoing revenue that would not have been collected had the business using the credit chosen to not locate in the state. They wouldn't have generated revenue anyway. Basically, you're giving them a credit against that revenue, so they're still not paying taxes that they would not have paid.

Tax credits, if they are transferable though, are a completely different story (page 67, Exhibit A). If the tax credit is transferred and used by another business, the state actually loses tax revenues that would have been received whether the economic activity incentivized by the credit occurred in this state or not. I'm not going to call out a particular credit, but let's choose a random transferable tax credit program. They earn the credit; they transfer it to, let's say a gaming company who wants to use it against their Gaming Percentage Fee, if that gaming company was going to pay…it was $1 million credit, and they we're supposed to pay $2 million in taxes based on their economic activity, the state only receives $1 million.

I have been quoted I don't know how many times talking about tax credits as negative revenue, and that's exactly what I mean by that, is that the tax credit is actually taking away money that the state would've gotten based on economic activity that did occur, but the state is choosing to forego that and give the credits. There are reasons obviously to do that, but that's the consequence of it in terms of the state budget. Some or all of that lost revenue would be made up through other taxes that are directly or indirectly generated by the activity or that are induced by the activity.

That's one of the hopes that GOED, the Energy Office, all the people who are promoting economic development will have, is that by bringing these businesses or incentivizing this activity, it's going to spur other activity that flows through the economy. The transferable tax credits really work in the same fashion. You're doing what you can, to incentivize activity to occur, which is going to cause other activity to occur, and that ripples through. People talk about return on investment and that's really what that is. You are putting some money out there, and yes, you're foregoing revenue, but you're hoping that you can make some or all of it up through other economic activity, and that's your return.

In terms of the tax credits that we're going to…that I'm going to talk about in my presentation (page 68, Exhibit A), I'm going to talk about them in the order of their enactment by the Legislature. Back in 2013 (77th Legislative Session), we had Film and the Nevada New Markets Jobs Act. I've talked about history a lot during this interim, and there have been a number of jokes about me talking about history so much. But at least with this one, the history goes back to a time where I was actually here. In fact, the chair was also part of the Legislature when all of this started. This is fairly recent history, but it's history all the same.

Going back to 2013 (77th Legislative Session) again, Film and Nevada New Markets Jobs Act; 2014 (28th Special Session) the economic development package for a minimum capital investment of $3.5 billion, which we call the Tesla abatements and credits; 2015 (78th Legislative Session) was a fairly heavy tax credit session with Education Choice, College Savings Plan, the Catalyst Account; and then later in 2015, during a special session (29th Special Session), the Economic Development for Capital Investment of at least $1.0 billion, which were known then as the Faraday [Future] abatements or credits. Then in 2019 (80th Legislative Session), the Affordable Housing Program that Administrator Aichroth just mentioned. Then in 2023, during a special session (35th Special Session) that happened after the end of that regular session, the Major League Baseball stadium credits. I'm not going to talk about the Commerce Tax Credits against the MBT, because we consider them more to be about the tax policy and a feature of the tax rather than economic development per se. I'm really not going to talk about those as part of this presentation.

In terms of the terminology that we use and in any discussions about tax credits, there are a number of different terms that are used and some of them get used interchangeably. I put together this glossary to go through what we mean when we talk about all of these different things (page 69, Exhibit A). The first thing is…the first term is "authorized". That's generally the maximum amount of credits that could be awarded under statute. The example that I have there is for the Education Choice Scholarship Tax Credits that allows a maximum of $6,655,000 per fiscal year. That doesn't necessarily mean that is the full amount that's going to be issued, but at least the statute authorizes it.

The next is "forfeited". If an agency does not approve or issue the maximum amount of credits in a fiscal year and the unapproved or unissued credits can't be carried over into a subsequent fiscal year, the forfeited amount is that amount that is no longer able to be approved or issued. Again, Education Choice is a good example of this one and there are some instances where they didn't issue the full maximum, but I'll talk about that a little bit later when I get to that.

The next is "approved". The agency responsible for the credit has approved the application for the entity to receive credits, but that entity has not yet received the credits. A good example is from the previous presentation, that $33.6 million or thereabouts that the Administrator mentioned, that's the approved amount. They have it as used, but for our terminology purposes, we have it as approved. They haven't necessarily issued all of them, but they've at least given the authorization or the approval for those.

The next is "allocated". If there is a credit that must be issued over a period of time, it's the amount of the total credit that can be issued during each allowed period. A good example of this is the New Markets Jobs Act, where it…the credits are issued over a period of five years. We allocate those credits over that period, they earn based on their investment, but then we allocate it and then eventually issue them over a five-year period.

Which gets us to “issued/awarded” (page 70, Exhibit A). This is the point where the agency responsible, whether it’s the Nevada Housing Division [NHD], the Department of Taxation [Taxation], the gaming…the Film Office, GOED, they have sent the tax credit certificate to the entity.

Then we have “used/spent/redeemed/taken”. That is all basically the same thing. The entity or whoever has received the tax credit has used some or all of that credit against their tax liability. When I talk about “unused” credits, those are the credits that have been issued but have not yet been used by the entity, because many of them, they have several years—three, four, five—in fact, there's one that is an unlimited time to use the credits, but anything that has not been used would fall into this category. Then the last one is “expired” and that is the amount of the awarded or issued credit that is not used by the time the credit reaches its expiration date. For the vast majority of tax credits, they never reach this point, but for Education Choice they do, or a few do.

I’m going to start off at the very beginning with the Film Transferable Tax Credit Program (page 71, Exhibit A). This was put into place, again, as I mentioned during the 77th (2013) Legislative Session and it is administered by the Nevada Film Office within GOED. This is a transferable tax credit that can be used against the MBT, the Branch Bank Excise Tax, the Gaming Percentage Fee, or the Insurance Premium Tax. Under the existing law, $10 million worth of credits can be approved by the Film Office in any fiscal year. However, if any of the $10 million not approved in a fiscal year, or if there is anything remaining of $10 million that’s not approved in a fiscal year, that can be carried forward and approved in future fiscal years. Because of the history on this program, there haven’t been many fiscal years where they have exceeded the $10 million in a fiscal year, so there is a carry-forward amount in excess of $40 million. In theory, the Film Office could approve upwards of $50 million to $55 million worth of credits in a fiscal year.

The credits are earned based on your qualified direct production expenditures. A production company comes and makes a TV show, a commercial, a movie, here in Nevada. They can earn credits based on their qualified production expenditures at a rate of anywhere between 12% and 15%, with their percentage increases that they can have for certain activities. One of them is making sure that at least 50% of your below-the-line personnel, that is the people behind the camera, are Nevada residents. Then there's another bonus that they can receive for shooting in certain locations where they don’t have a lot of film activity. The maximum amount of credits that can be earned per production is $6 million, and any credits that are issued expire four years after the date of issuance.

The next slide talks about key legislation affecting a…

CHAIR NEAL:

Can I ask question before you go to the…can I ask a question on the taxes that may be affected?

MR. NAKAMOTO:

Sure.

CHAIR NEAL:

On the Branch Bank Excise Tax, which is what the credit is, didn't we repeal that in 2025 [Legislative Session] under Senator Pazina's bill? That was S.B. [Senate Bill] 412 (83rd [2025] Legislative Session). Does that have an impact here?

MR. NAKAMOTO:

Thank you, Madam Chair, for the question. That bill, to my recollection, once it left the Senate Committee Revenue and Economic Development, went to the Senate Committee on Finance , and did not make it out of the Senate Committee on Finance, so that tax was not repealed.

CHAIR NEAL:

I'm sorry, I don't mean it as funny. I just think…for the record, people need to consider when you're proposing to remove a tax and how it may be played into something else in another world that you probably were not familiar with, and it's going to have an impact because it is a part of another structure. We're thinking we're doing a good thing when business is like, "Oh, I don't want to pay the Branch [Bank] Excise Tax." Well, it is already a part of the film tax, which has been around for a while.

When you consider future legislators who are going to chair Revenue one day, don't take something out that you cannot replace, and consider whether or not it will impact the program or make it less functional, because you're removing one of the pieces. Sometimes things sound like good ideas, but do the research and find out where is it being used somewhere else. I can guarantee you, most taxes, if they were generating any kind of real income, they're being tapped in some way for something. I'll just stop there.

MR. NAKAMOTO:

Madam Chair, since you brought up the Branch Bank Excise Tax as it relates to the tax credits, the reason why it's included is just the way that a lot of these tax credits are crafted, that it can be used against one or more of the taxes in Chapter 363A of the NRS [*Nevada Revised Statues*], which includes the MBT on financial institutions and mining companies, as well as the Branch Bank Excise Tax. It's just a function of them being included in there that is the reason why it can be used against the Branch Bank Excise Tax.

I would also note that just because it can be used against the Branch Bank Excise Tax, doesn't mean it is. None of the tax credits, to my recollection, have ever been used against that particular tax. Whether it is not a significant enough revenue source for them to worry about or they are more likely to use it against their MBT, there has not been any usage of any of these tax credits against the Branch Bank Excise Tax.

Continuing on slide 12 of the presentation, is key legislation affecting the Film Tax Credit Program (page 72, Exhibit A). The bill…or the program was originally created by S.B. 165 at the 77th (2013) Legislative Session, this is former Senator [Aaron] Ford, who created the Film Tax Credit Program as a pilot program, with a maximum of $80 million in credits or $20 million per fiscal year that could be issued by GOED for applications received before December 31, 2017. The idea was that it was going to be a four-year program, $20 million per fiscal year, $80 million total.

Fast forward to the 28th (2014) Special Session, which was the present…or the special session that authorized the incentives for the Tesla Gigafactory…or that were used for the Tesla Gigafactory. It removed the $80 million and brought the number down to $10 million, and this was a way…or it was designed to "repurpose" those funds towards the incentives that were given ultimately to Tesla for the Gigafactory.

In the next 78th (2015) Legislative Session, S.B. 94 was passed that removed that pilot designation and made the program permanent. It also removed the $10 million limit on credits that could be issued and allowed credits to be issued up to "the amount appropriated or authorized for that purpose for that fiscal year." The Legislature did not appropriate or authorize any credits for the program during that biennium, so effectively it kept that limit at $10 million. Then during the 79th (2017) Legislative Session, it brought us to where we are now and instituted the current annual limit of credits of $10 million per fiscal year, then the Film Office has the ability to carry forward any portion of that $10 million that is not approved in future fiscal years.

This slide is a kind of a step through of how the process works (page 73, Exhibit A). The production applies to the Film Office for their certificate of eligibility. The Film Office will consider and either approve or reject that application based on the criteria in statute. If they approve the application, there's an estimated amount of credits that must be calculated based on the information that they submit as part of their application. Then they have the production, after the production is completed, there's an audit that must be done that shows those direct qualified public, or production expenditures. The audit must be provided no more than 270 days after completion of principal photography or post-production, but the Film Office may extend this deadline by another 90 days.

This becomes significant because when I get to the next slides to talk about the approval and then the issuance of the usage of the credits, there's often a huge gap. This is part of it because you are going through, you make your application, you get approved, there's an estimated amount that is approved. Then you go through production, post-production, and then it could be a year after that that you have the audit, then after that point, the Film Office would certify the audit. If they do certify the audit, they make a final

determination of whether credits will be issued within 60 days of receipt of the audit and then the credits are issued after that. This entire process that is here could go on for several fiscal years. There is a…or it can be a very large disconnect between the beginning of the of the process and the end of the process.

When we start getting into the numbers, and I'm not going to go through all of this (page 74, Exhibit A), but this is how the credits…that original $10 million of credits were approved under S.B. 165 from 77th (2013) Legislative Session, which was reduced to the $10 million in S.B. 1 of the 28th (2014) Special Session. The first credits were approved by the Film Office in FY [Fiscal Year] 2014 and then they approved a bunch in FY 2015, which left them just around $1 million. That's, I think, how they got down to the $10 million, realizing that they were already close to $8 million already by that point, so let's just round it up to $10 million and we're done. It was FY 2017 where the last production had credits approved. Again, this is when the Film Office said, they gave the thumbs up and said, "Yes, you can be approved for credits," not when the credits were actually issued.

When we go to the next slide (page 75, Exhibit A), which is talking about then when they're issued and used. You can see that the credits that were originally approved in FY 2014, were not actually issued in FY 2015, and then that $386,173 on the previous slide, which were approved in FY 2017, were not actually issued and used until FY 2019. This is a really good example of showing that disconnect; that it took more than two, or it took two fiscal years between the time that the credits were awarded to the time that the credits were issued and used, especially with that last $386,173.

Then the next slide (page 76, Exhibit A) is under the current program that was created in Assembly Bill [A.B.] 492 of the 79th (2017) Legislative Session. That first line is the $10.0 million per fiscal year and then the next line is the carry forward from the prior year. Anything that wasn't used in previous fiscal years can be authorized in a subsequent fiscal year. In FY 2018 for example, they had $10.0 million available, there was no carry forward, but they only approved $2.7 million of credit so they were carrying forward just under $7.3 million. That shows up in the carry forward for FY 2019. The total amount that the Film Office could have authorized in FY 2019 was almost $17.3 million. They approved just short of $3.1 million, that left $14.2 million to be carried forward and so on and so forth.

That brings us now to where were sitting now (page 77, Exhibit A), or at least where we were sitting in late May, when we got this information from the Film Office. As of that point in May, we had $10.0 million that was available for FY 2026, plus $44.5 million that had been carried over from previous fiscal years, meaning that the theoretical amount that the Film Office could authorize is around $54.5 million for FY 2026. Right now, they have approved $12.6 million in credits. This is in fact…I have this in red because it is the first time that the Film Office has ever approved anything above $10.0 million in a fiscal year, but they're able to with that carry forward. If all of those credits were approved and stay on the books, the remaining authorization becomes $41.9 million of credits that they could continue to approve, or could have continued to approve in FY 2026. You can also see that the number of productions is significantly higher. There were 16 productions in FY 2026 that had received an approval for credits.

Then in terms of the credits being issued and used (page 78, Exhibit A) it's…this is …where we're tracking…once they've been issued, how many of them get used. You can see that we're not very…in terms of the credit usage, we're not very close to the $10 million again, because the actual approved amount has never reached the $10 million, but you can see it's fluctuated.

When you get to the more recent history, FY 2024, FY 2025, and FY 2026, that utilization is increasing (page 79, Exhibit A), as of the most recent information that we had at the end of last month, there were only about $191,000 worth of issued credits that had not been used yet. With other credits being used, we can anticipate that this number may increase, in FY 2026 and FY 2027.

In terms of resources for the Film Tax Credit (page 80, Exhibit A), GOED's website has an overview of the Film Office incentives at the Film Office's website. Then there is an annual report that the Film Office must put out pursuant to NRS 360.7598. In the electronic version of this presentation, these are live links that you can go to.

CHAIR NEAL:

Mr. Nakamoto, Senator Doñate has a question on the phone.

SENATOR DOÑATE:

Thank you, Madam Chair. I'm going to be cautious to not open up old wounds given that this has been a subject within the last few years. Mr. Nakamoto, do you remember why…if I understand the NRS correctly, Chapter 360 looks at setting certain requirements and thresholds for a base credit of what a qualified in-state production would look like. Our state chose 15%. Do you remember…and the reason why I'm asking this is I know other states are more at 20% to 30%. One of the challenges that I have spoken with some of the independent film producers was we could actually…the challenges the qualification for how you receive the tax credits is not really the production itself and…was there a rationality as to why we chose the 15%? Was that more of a back-ended discussion during, in the Legislature? Did someone write that in? Was there a rationality for it? I think the historical context would be helpful.

MR. NAKAMOTO:

Thank you, Senator Doñate, for the question. As far as I remember, Senator, that was a policy decision made by the Legislature and it may have been slightly more reflective of the way tax credits looked at the time. This has been an evolutionary process in terms of film tax when you start looking at the history throughout the U.S. To my recollection, Hawaii was the first state that did this back in the 1990s, and the credit then was significantly lower. I think because it's turned into a competition in sorts between states, that number has kept increasing and increasing. To the point where you're absolutely correct, there are states where that number could be 30%, 35%, 40%, and so 15% I think was the discussion, the policy consideration that was made at the time, based on the

conditions there. That number perhaps is maybe not reflective of how these programs are utilized in other states. The only thing that I would note though is the higher that you make that percentage amount, the more in credits that you're giving out per production or per fiscal year.

SENATOR DOÑATE:

Thank you. Madam Chair, the reason I was asking that question is, it sounds like we might be doing some cleanup ahead of some of the bill drafts or ahead of next session. I think that would be probably something that we should consider. Again, I don't want to open the wounds of last special session and so forth of looking at increasing the amount of tax credits, but I think we can make some modular changes to our state laws to what is currently administered, if the tax credits are to continue forward. Just something to think about, in terms of bringing more economic development with what we already have, just as a recommendation.

CHAIR NEAL:

Do you have any comments on that?

MR. NAKAMOTO:

Madam Chair, as your nonpartisan staff…actually I take that back. As I previously had noted, increasing that credit amount, or the percentage would potentially increase the utilization of the program. With that carry forward sitting out there, then it would be likely that, as taking off my Fiscal hat and putting on my staff to the Economic Forum hat, we would probably be increasing the forecasts because I would anticipate that that unallocated balance would be eaten into fairly quickly if you were to increase the percentage. That's just something to think about, from a fiscal perspective. Thank you.

CHAIR NEAL:

No, thank you for that. I'm always thinking about how much money we have. How much money we have foregone, and what is actually abated. Meaning, it could potentially be used and abated in the future and then just not come in at all. I think it's a constant balancing act on where money comes from in order just to pay for what exists, without generating new revenue. Even when we generate new revenue, we still have real things that we have to pay for, even though we're talking about tax credits.

I guess we'll continue to think about it. I think there is some conversation on what would it look like to allow our local community that is truly doing this work to really advance themselves, without this other contingency that happened in the special session. What it would mean to do a true local investment where it's local benefit, local folks who get it, rather than giveaways. We'll see, you never know. Continue to New Markets.

MR. NAKAMOTO:

Thank you, Madam Chair. The next program is the Nevada New Markets Jobs Act Tax Credit Program (page 81, Exhibit A). I'm going to talk about this in two different parts, because in essence the program isn't…it's the same and yet not the same as it was when it was first started in 2013 (77th Legislative Session), thanks to legislation that was passed by the chair of this Committee.

The original incarnation of this tax credit program was put into place again in the 77th (2013) Legislative Session. It's administered by the Department of Business and Industry (B&I) and is codified in Chapter 231A of the NRS. This is not a transferable tax credit; it can only be used against the Insurance Premium Tax. The way that it works is that the enabling statutes or legislation back in 2013 and 2019, actually fix the amount of credits that could be issued. There are qualified equity investments that are made in the amount of $200 million and then you earn a credit of 58% of that credit against your Insurance Premium Tax that can be taken over a five-year period. That works out to, the $200 million x 58% is $116 million worth of credits over the five-year period, first in 2013 and first in 2019.

Insurance companies are the ones who are earning these credits and they can take them against their own Insurance Premium Tax liability in exchange for investments that are made with qualified Community Development Entities, or CDEs. In exchange for that investment, as I noted, they get a tax credit of 58% of that investment, which could be taken over a period of five calendar years. The $200 million of qualified equity investments authorized both in 2013 and 2019 resulted in the authority for the issuance of the $116 million in credits for each round of investment, and to my recollection, that $200 million was met both times.

Then, for the 2023 program (Page 82, Exhibit A), it split it out so that there are now two different kinds of investments that are made. There are qualified equity investments that earn at the 58% rate, then there is a new category that is called impact qualified equity investments that earn at a rate of 75%. Again, this is over a five-year period. In the bill that was passed during the 82nd (2023) Legislative Session, B&I was required to certify $170.0 million in qualified equity investments and $30.0 million in impact qualified equity investments on or after July 1, 2024, which gives you the amount that's listed there. The $98.6 million in credits for the qualified equity investments and then for the impact qualified equity investments, it's $22.5 million in credits over the five-year period.

The legislation that affected the New Markets Jobs Act are basically the three bills that I had previously mentioned (page 83, Exhibit A). Senate Bill 357 in the 77th (2013) Legislative Session created the program, modeled after a federal New Markets Jobs Act Program, and authorized the first $200 million in qualified equity investments and the first $116 million in tax credits. The chair of this Committee, when she was still in the Assembly, brought A.B. 446 that renewed the program with another $200 million in qualified equity investments through A.B. 446 of the 80th (2019) Legislative Session and the credits could be taken beginning in FY 2022. Then in the 82nd (2023) Legislative Session,

the chair brought S.B. 240, which created the current program with the qualified equity investments and the impact qualified equity investments, with those credits now being able to be taken here in FY 2027.

In terms of the credits that have been used (page 84, Exhibit A), you can see that they largely are following the pattern of when they're issued. Based on the schedule of how they can be issued for that $200 million, it worked out to anywhere between $24 million and $26 million that could be taken in a fiscal year. You can see that we're following that. It got a little higher in FY 2023 just because of some of the timing that was involved, especially in that first fiscal year. But again, this has been a pretty stable and predictable pattern. We'll see this number spike again most likely in FY 2027 with the third round. Given the five-year issuance, I believe that takes us out to FY 2031 under the existing program that we would expect to see a larger liability for this tax credit program, which would essentially reduce or be eliminated if the credit program were not renewed for a fourth round.

CHAIR NEAL:

Can I say something about this? Just for the Committee's edification. When I thought about doing this in 2013, I was looking at low-income communities specifically in my district. East side rural communities where we could do economic development and low-income census tracts, trying to figure out how we could spur investment where investment was not occurring. There was historical, I would say, local governments that were ignoring low-income communities and leaving them in a, I would say, a state of constant disaffection.

When I engaged in this and there have been…people have been like, "There's a lot of money that has gone out of the door for tax credits," but when I was engaging in the state New Markets Job Act, I was looking at what those investments would be. We've managed to do significant investments in lower-income communities and this had a great impact in the rural communities. However, knowing what money was going out of the door, I'm actually grateful for the fact that it's actually going to expire in 2031. We can start to think differently on how we engage low-income communities and what is the new strategy. Because at the time that was the best strategy that was out there that would allow local governments as well to stack their local credits that they had received from the feds, with state credits in order to maximize and then go forward with projects.

Currently, that is still a similar model but now when we look back 13 years later, you're always thinking, what is a better strategy to create economic development in low-income communities that are being overlooked and neglected? When I was looking at this, I was looking at how the redevelopment dollars in Las Vegas, North Las Vegas, and at the time, the county's redevelopment was defunct; it didn't exist. I was really examining how those dollars were not working in the way that we had envisioned to redevelop and recycle tax dollars back into low-income communities. I looked at another strategy to figure out how could I target low-income census tracts, rewrite the narrative from the feds, and then say, "Hey, we should do it this way to try to reap benefits." But now 13 years later, I'm looking

at what's a better way. What's the least expensive way that we can do it? I think for…and I'm only saying this because ultimately, I have a shelf life. Where there are new members who will have a lot more years in this Committee, to something to consider when we know that a lot of our members that are on this Committee live in low-income communities and low-income census tracts…on how you want to redevelop that landscape and what are your investment strategies that you want to consider and think about? As this expires and credits then become available not only for housing but for some other things, that you may want to do in terms of economic development for communities that really do need some attention and love to grow equally across the valley and across the state.

With that, I will close that out, but I wanted to give some context so that folks are…Senator Neal or Assemblymember Neal at the time…I'm grateful that my colleagues allowed me to get this level of legislation out of the building, but I'm also constantly reflective of where do we go from here on its expiration. Said my piece.

MR. NAKAMOTO:

Thank you, Madam Chair. I talked about how the five-year period for the issuance of the credits, and this is the schedule that is used for both the qualified CDEs and the qualified impact CDEs. You can see the qualified CDEs, it's 12% for three years and then 11% for the last two, which gets you to the 58% (page 85, Exhibit A). Then for the qualified impact CDEs, it is 15% per year to get to the total of 75% of the investment.

In terms of the allocation and issuance of the credits (page 86, Exhibit A), this is the history on how they have been used, and this is going back for the first part of the program, starting in calendar year 2015. We're tracking these by calendar year, not necessarily by fiscal year because that is how the tax works, it is actually a calendar year tax. We translate it later into fiscal years, but this is how it works in calendar years.

Then when the bill…when the act was renewed in 2019 (page 87, Exhibit A), this is how it showed. For the five calendar years that it was…those credits were allocated and issued. Then now under the current program (page 88, Exhibit A), we did have some credits used so far in calendar year 2026. These are carryover from the previous program. None of the allocated credits can be used for calendar year 2026 under the new 2023 program until July 1, 2027 [sic]. We'll start seeing those reported by Taxation here in the third quarter of calendar year 2026, which is the first quarter of FY 2027, but that has not happened yet.

In terms of publications and resources (page 89, Exhibit A), B&I's website does have information and biennial reports on the program that you can access under those links that are listed.

Next in terms of the history is the $3.5 billion Capital Investment Tax Credit Program (page 90, Exhibit A), which we refer to as the Tesla tax credits. They are not general, or they are not specific to Tesla, they were not drafted that way, but the idea was to bring a large project of that scale. Because Tesla ended up utilizing them, all of the credits that

were involved in this, along with the abatement package that was included, we call them the Tesla tax credits. This was administered by GOED. They were transferable tax credits that could again be used against that same list of taxes: the MBT, the Branch Bank Excise Tax, Gaming Percentage Fee, and the Insurance Premium Tax, and the limit on the credits was $195.0 million over the program life, not to exceed $45.0 million per fiscal year. They were issued to the lead participants of a qualified project who met certain economic development requirements, which included making the total capital investment of at least $3.5 billion over ten years.

How the credits were issued were based on the amount of capital investment that they made as well as the number of qualified employees that they hired. Again, up to 6,000 employees or a total of $75 million at $12,500 in credits per qualified employee. This program has sunsetted in that applications could not be approved on or after July 1, 2022, but in terms of the history of tax credit programs, this one is part of it.

The legislation affecting this was S.B. 1 of the 28th (2014) Special Session (page 91, Exhibit A). It created an abatement program as well as a corresponding tax credit program, limiting the tax credits to $195 million over the life of the program and could not be approved in any fiscal year beginning on or after July 1, 2022, which is FY 2023. Under this authority, the GOED Board approved the application that was submitted by Tesla for the Gigafactory out in Storey County, and they received the entirety of the $195 million in tax credits that were authorized under the legislation.

This is basically the statistics on it (page 92, Exhibit A). The entire $195 million was awarded and used, and you can see that they were used over a five-year period beginning in FY 2016 and ending in FY 2020. There is an annual report that was to be submitted by GOED relating to Tesla (page 93, Exhibit A), the last one that they have on their website is from FY 2020, and it is available at the link there that takes you to GOED's website.

Next is the Education Choice Tax Credit Program (page 94, Exhibit A) that is administered by Taxation and is located in Chapters 363A and 363B of the NRS. This is not a transferable tax credit, it can only be used against the MBT and it doesn't matter whether it's general business, financial institutions, or mining companies, the MBT is it. A limit of $6,655,000 million per fiscal year of credits that can be issued, or can be issued by the department in any fiscal year, and it is based on donations that are made to scholarship organizations through the Education Choice Scholarship Program.

Basically, you submit and…you notify the scholarship organization that you want to make a donation, then they reach out to Taxation and actually apply for the credits on your behalf. If you're approved, you make the donation and you receive a credit equal to the amount of the donations. The credits are awarded in the order that the applications are received, and they're subject to that annual cap of the $6.655 million per fiscal year. If any credits are not approved, so if there are not donations sufficient to reach that amount, whatever is not approved and awarded in the fiscal year is forfeited and cannot be used in a previous fiscal year.

The legislation that created this program was A.B. 165 in the 78th (2015) Legislative Session (page 95, Exhibit A). The way that it was originally set up was $5.0 million in FY 2016, $5.5 million in FY 2017, and then a 10% escalator in any fiscal year beyond FY 2017. In S.B. 555 of the 79th (2017) Legislative Session, in addition to that annual allocation, there was an additional $20.0 million in tax credits that could be issued, or approved in FY 2018, and any of the $20.0 million that was not approved in FY 2018 actually could be approved in future fiscal years, unlike the existing program where those unapproved amounts were forfeited.

In the 80th (2019) Legislative Session, the Legislature and A.B. 458 eliminated that 10% annual credit increase that was originally approved in FY 2015, and they capped the total credits at the current $6.655 million per fiscal year, which was what the 10% would have worked out to for FY 2020. It got frozen at that amount. It also clarified that that limit is the limit for all of the MBT, both chapters combined, 363A and 363B.

In the 80th (2019) Legislative Session (page 96, Exhibit A), there was an additional $4.745 million in tax credits beyond the $6.655 million that was approved, or authorized under statute for FY 2020 and FY 2021. Those unapproved amounts could be made available in future fiscal years, and then in the 81st (2021) Legislative Session, the Legislature approved the same $4.745 million additional amount of credits for FY 2022.

For this program (page 97, Exhibit A), we have a couple of different lines that we haven't had previously and the first one is that forfeited amount. Any year where the full statutorily authorized amount didn't get used, got forfeited. Then we actually have stats for this one on expired credits because this is the program that we have seen where the credits are not all getting used. For example, you can see here in FY 2016, there were $7,350 of credits that were not used and they ended up expiring, because they…it was still available at the statutory expiration date.

The $20.0 million from S.B. 555 of the 79th (2017) Legislative Session (page 98, Exhibit A), $19.4 million of those credits, almost $19.5 million were used. All $20.0 million were awarded, but then there were $538,772 worth of credits that expired because they were not used at their expiration date.

Then with the current program at the $6.655 million (page 99, Exhibit A), this is kind of how it is used. There were two fiscal years during the pandemic where the entire $6.665 million was not awarded, so those were forfeited. Then you can see that there were some credits that expired for FY 2019, FY 2020, and FY 2021. The credits, all of the credits for FY 2022 that are not used are still available, but we anticipate that like those previous fiscal years, there may be some that end up expiring for whatever reason.

Then the $4.745 million from the 80th (2019) Legislative Session (page 100, Exhibit A), you can see for this that the bulk of the credits were used, but they had some that did expire. Then the same thing for the 81st (2021) Legislative Session bill that added the additional $4.745 million (page 101, Exhibit A). Most of those have been used, but the $312,000 of credits that are still available, or that are unused are still available to be used and to my recollection that is until the end of this calendar year.

In terms of the information on this program, primarily (page 102, Exhibit A), even though the tax credits are administered by Taxation, it ties into a program that is administered by the Department of Education. All of the information on this program, largely can be found on the Department of Education's website.

Next is the College Savings Plan Tax Credit Program (page 103, Exhibit A), and again, this is one that came out of the 78th (2015) Legislative Session as well. Like the Education Choice Scholarship Program, these are non-transferable tax credits that can only be used against the MBT, and unlike any of the other programs, there is no limit on the amount of credits that can be issued under this law.

Basically, what happens is that Taxation in conjunction with the State Treasurer's Office, they issue tax credits to employers who match employee contributions to one of the state-sponsored college savings plans that is administered by the Treasurer's Office, either the Nevada College Savings Program or the Nevada Higher Education Prepaid Tuition Program. The credit that's issued is equal to 25% of a matching contribution that an employer makes to an employee's account, up to a maximum of $500 per contributing employee per year. This was created by S.B. 412 of the 78th (2015) Legislative Session and allowed the contributions to be made and the corresponding credits to be issued, and there have been no changes to this program since (page 104, Exhibit A).

What you can also see though, is that because this is…even though that this is a program where there is no limit to the amount of credits that can be issued, it is not very highly utilized. In fact, FY 2026 (page 105, Exhibit A) is the first fiscal year where the amount of credits that has been used has been in excess of $1,000. This is not a particularly popular program, but it is one that is utilized to some extent.

The Treasurer's website has information on both the College Savings Program and the Higher Education Prepaid Tuition Program (page 106, Exhibit A), which are the programs that people make the matching contributions to in order to receive the credits.

The next one is what we call the Catalyst Account Tax Credit Program (page 107, Exhibit A) and this is found in NRS 231.1555. This is a GOED program, where they can issue transferable tax credits that can be used against the MBT, the Branch Bank Excise Tax, the Gaming Percentage Fee, and the Insurance Premium Tax up to $5 million per fiscal year.

GOED can issue these to businesses that locate or expand in Nevada. Whether…the amount of the credits that are requested determines who can approve the application. If it's $100,000 or less in tax credits that are requested, the Director of GOED may approve the application, but if it's more than $100,000 in credits, then the GOED Board must approve the application. GOED may approve tax credits to a business for up to five fiscal years, and no more than that, and any of the credits that are issued have no expiration date.

This again was created in S.B. 507 of the 78th (2015) Legislative Session and it was a ramp up program, so it started originally at $500,000 in FY 2016 (page 108, Exhibit A), $2 million in FY 2017, and then $5 million per fiscal year in FY 2018 and beyond. In A.B. 1 of the 29th (2015) Special Session, which was the Faraday [Future] special session as we would call it, it amended that amount to zero in FY 2016, $1 million in FY 2017, $2 million per fiscal year in FY 2018 and FY 2019, $3 million per fiscal year, or for FY 2020, and then $5 million per fiscal year in FY 2021 and beyond. That's where we're at now, is the $5 million limit.

As you can see from the next slide though (page 109, Exhibit A), there has not been a lot of utilization of this program, in fact, no applications have been approved under this program since FY 2018. The last credits under this program were awarded in FY 2020 and were used in FY 2022. There have not been any successful applications, in fact, there was not too long after this presentation was supposed to be given, GOED for their board meeting that was in May, had an application for these Catalyst Credits. But that agenda item was pulled and I don't know the status of that, whether it's going to show up on a future meeting or not.

This is something that GOED hasn't been utilizing, and that doesn't mean they can't utilize it because the statutory obligation is still there. But right now, given how they're not utilizing it or how they are utilizing it, basically the Economic Forum puts zero for the credits as the forecast. That again, is subject to change because it is under the statute. There are reports that are put out for the Catalyst Credits, the most recent one from FY 2025 is available on GOED's website (page 110, Exhibit A).

CHAIR NEAL:

Mr. Nakamoto, Senator Doñate has a question.

SENATOR DOÑATE:

Thank you, Madam Chair. Same question to the film bill one. Mr. Nakamoto, do you have a…do you remember why the $100,000 amount was decided upon? What was the structure in terms of, was it just again, same thing, was it just a policy decision? Was it…was there a rationality for it? Did we take it from another state? That would be helpful if you can provide some context.

MR. NAKAMOTO:

Thank you for the question, Senator Doñate. Again, this was a policy decision that was made by the Legislature. My recollection was there were a number of different programs where GOED came forward and said, for the smaller applications that did not have a huge dollar threshold, it would perhaps be more efficient for our office to, or our Director to simply approve the applications, rather than sending all of these to the GOED Board because that might overburden board agendas and they could focus on the larger things. This was ultimately a policy decision that the Legislature agreed with and approved.

SENATOR DOÑATE:

Thank you. More so, Chair, as a comment really quick. I think and just in looking at this, the spending of this account and the same thing with the College Savings Plan, I have a feeling that a lot of these programs, while they were really good intentioned, I think they're probably not reaching to the extent that they should be in terms of driving investments or driving utilization.

I think you asked for a commentary in terms of what the tax credits in the future would look like if some of them are reaching expiration. I think we probably, if I were to take a stab at this, I think the easiest reform would be to create, and I think this…the Catalyst Tax Credit, is probably a good example of an agnostic tax credit that is not geared towards an industry but more so about what the company is bringing to the table and making it more competitive, so that we can look at things on a rolling basis. I think the same could be applied towards abatements, where small companies might not be able to benefit or take use of them in the same way that a grant would be able to do. We can look at down the line of how we can steward those investments into underutilized areas, kind of how you were mentioning with the New Markets Tax Credit. But I think it would benefit all of us to start looking at…instead of creating these hodgepodge programs for these certain industries, what we can do to make use of what we already have. I don't know if you have an opinion on that or against it. I think it's certainly it's…we're reaching that time where we probably need to start looking at the whole continuum as a whole.

CHAIR NEAL:

I don't disagree, but I guess what I'm trying to figure out is, for the Catalyst Account Tax Credit Program, it seems to mimic…when we look at GOED's authority to do tax abatements on the location or expansion into Nevada, it's almost a mimic, but it's just a tax credit, not an abatement. I'm not sure if there's even a need for the Catalyst Account Tax Credit to continue to exist.

MR. NAKAMOTO:

Madam Chair, that is obviously your decision as legislators to make, but the way that I think I understand it, it is just another tool belt, or that probably is the argument that the office would come in and say is, it is another tool in their belt that they could use as an incentive to bring businesses into the state.

CHAIR NEAL:

Yes, we've had this conversation with them. I think that what I'm trying to…the economy sometimes, yes, it's cyclical, and it will repeat economic factors. The question is, is this one that it's been in existence when we were recovering from the recession? Is this something that, when we look at economic factors of being the best tool for businesses to locate and expand, is this the right tool? Does this need tweaking? Does it need to just cease to exist? What should it be? It's been on the books for a while and barely been used. I think there's a question on whether or not that this particular tool as written in policy is effective.

It's gone through several economic iterations since 2017. When we think about its use in COVID-19, its use after COVID-19, I'm not sure it's the right tool. I'm not sure, and I did not ask Director Burns at the time when he presented at our last meeting, whether or not this was something that anybody has thought to re-envision what it is or what it should be or sentence changes to the policy to make it make sense. But if there's a tool in the belt and the tool is never used…it's not like…then it becomes a defunct tool. It's supposed to spur an economic development activity, but it's not doing that. It could be $5 million that goes back into the General Fund to be reappropriated for something else or a different strategy. I just think it's worth a conversation.

MR. NAKAMOTO:

The only comment that I'll make, Madam Chair, is that based on this historical usage, as staff to the Economic Forum, we've typically gone to that body and suggested a forecast of zero. This is usually upon consultation with GOED and they always say that they don't envision it being used. It's something that the liability is sitting out there for the state, but there is no liability really, actual liability for the state, until the office starts approving credits and they start getting issued and used.

There are always discussions or conversations about reappropriating credits and this one comes up as an example of, "Oh, we could take the $5 million here and use it for something else." The $5 million is really only a liability to the state to the extent the credits are issued and used, and if there are no credits that are issued or used, there's no liability to the state. If you are going to take that authorization away and put it towards something else that will get issued and used, then there actually becomes a liability for the state. You're…a lot of people, and it's one of the biggest misconceptions that I think I hear when it comes to this rededication of tax credits, is that we can take the authority away here and where it's revenue neutral, that would not necessarily be the case with this program.

CHAIR NEAL:

I don't think it would be revenue neutral. I think that the ultimate question is we have an economic tool on the books that is never used and it is supposed to have been an economic tool that was intended for businesses to locate and expand to Nevada. It's not a functional tool. At the time, folks were considering this is a good policy based on an economic need. The question is, clearly that economic need was not met through the policy description that was created under the Catalyst Account.

I'm well aware that if I shuffle the deck and I move a credit from column A to column D, it then becomes a liability, just for a different thing. I'm also always thinking that, "Well, if we're already have a liability of $100 million and we're already taking that hit and we've been able to sustain that $100 million, can we shift priority and still the $100 million be used for a different priority?" Because sometimes the priority that we had in 2013 does not remain a priority in 2026. Sometimes we're reshuffling the deck because we need a different action or activity to occur because there is a new thing that's occurring that needs a remedy and it needs money. I'm always thinking, "Can I reshuffle the deck and still

trade money on one end to another, another use, and whether or not we can sustain it?" These are always ongoing questions and ongoing thoughts for me in Revenue and then when I sit on the Finance side and I watch people write the check to spend it. It's just something that I think for this Committee in the interim, I think it's been a good conversation for us to have on what are the tools that are in the queue for economic development and whether or not they work and whether or not they need to be adjusted.

MR. NAKAMOTO:

Madam Chair, I appreciate your comments. I just was trying to make that…get that information on the record in terms of what the potential versus actual liability could be with credits, especially as it pertains to this program.

CHAIR NEAL:

Appreciate it. We've both grown a lot, Mr. Nakamoto, I used to wear "I love taxes and bacon," but I don't do that anymore. The universe will provide.

MR. NAKAMOTO:

Madam Chair, are you saying that you don't like bacon anymore?

CHAIR NEAL:

I can't eat it.

MR. NAKAMOTO:

I am so sorry.

On the next slide, which is slide 51 of the presentation (page 111, Exhibit A), is the $1.0 billion Capital Investment Tax Credit Program, again administered by GOED. This was a transferable tax credit program and again the same four taxes, the MBT, the Branch Bank Excise Tax, the Gaming Percentage Fee Tax, the Insurance Premium Tax are the taxes where these credits could be used. There was a total of $38.0 million in credits that could be issued over the life of the program, with not more than $7.6 million per fiscal year, and the credits expired after four years.

This one was similar in structure to the $3.5 billion, the Tesla program, but slightly different in that the credits were only…or awarded based on your qualified employees, 9,500 qualified employees…or $9,500 for each qualified employee up to 4,000 employees, and you had to make that capital investment of at least $1.0 billion. There was language added that required the credits to be approved by the Interim Finance Committee (IFC), and this program has sunsetted as of the beginning of FY 2026, no tax credits may be approved on or after July 1, 2025.

This we originally called the Faraday [Future] Tax Credit Program (page 112, Exhibit A), from S.B. 1 of the 29th (2015) Special Session back in 2015. It created this as an incentive that was designed to bring the Chinese electric vehicle manufacturer, Faraday Future, out to Apex in North Las Vegas. The GOED Board approved the application from Faraday Future on January 22, 2016. They were seeking the incentives, the tax credits and abatements to build that electric car manufacturing facility up at Apex. The project was never completed, and they received no tax credits as a result.

Because this was sitting out there as general law that GOED could issue the credits at any time, as a means of protecting the state from potential unknown liability or uncertain liability, S.B. 410 of the 80th (2019) Legislative Session required GOED to submit a written request to the IFC for any tax credits that were approved under this program. The IFC could approve the request only if the approval would not impede the Legislature's duty to provide sufficient revenue to defray the expenses of the state and other conditions relating to the promotion of economic development in Nevada.

Of the $38.0 million, as I noted, none of them went to Faraday Future. However, on two occasions, the IFC did approve tax credits for just over $6.4 million to Redwood Materials for their battery recycling facility out in Storey County. Because those were issued before the June 30, 2025, cut-off, that was it for this program. About $31.6 million of credits were forfeited and cannot be used at any point. Of that $6.4 million that was issued to Redwood Materials, $6.0 million has been used, there's $441,000 of credits that are still sitting out waiting to be used. The most recent annual report from Redwood Materials (page 114, Exhibit A), who applied for abatements and credits under this program, can be found on GOED's website.

Next is the Affordable Housing Tax Credit Program (page 115, Exhibit A), and I'm not going to spend a lot of time on it other than to note that it does exist and all of the things that Administrator Aichroth and Ms. Hess brought up in their presentation. The bill that created it was S.B. 448 in the 80th (2019) Legislative Session (page 116, Exhibit A), which created it as a four-year pilot program that was supposed to last between January 1, 2020, and July 1, 2023. Senate Bill 284 in the 81st (2021) Legislative Session removed that pilot designation and made it permanent, but kept that $40 million cap in place. Then in A.B. 301 of the 83rd (2025) Legislative Session, it changed some of the criteria in terms of eligibility for the program.

This table on page 57 (page 117, Exhibit A), this mirrors the information that was given by the NHD. What is…you can see is that even though $33.7 million of credits have been approved, the amount of credits that have been used is only just under $17.0 million. While the NHD only has the about $6.3 million that they can award, or approve and award credits to, the liability to the state in terms of the revenue hit is greater than that, to the tune of about just over $23.0 million, which will be taken over however long it takes to use these credits.

Then there's information on the program and the annual report (page 118, Exhibit A), the last one from FY 2022, that are available either on the NHD's website, or in case of that annual report that is required pursuant to NRS 360.870, at the Legislative Counsel Bureau's Research Library website.

Then last is the Major League Baseball Stadium Tax Credit Program (page 119, Exhibit A), and this is the most recent one. This was created under…during the 35th (2023) Special Session, after the 82nd (2023) Legislative Session ended. The Las Vegas Stadium Authority is responsible for this credit program and they're the ones who can issue transferable tax credits, again under the MBT, Branch Bank Excise Tax, Gaming Percentage Fee Tax, or Insurance Premium Tax. There are a limit of $36 million of credits that can be awarded per fiscal year over a total of five fiscal years, so a total of $180 million of credits. This is tied to the construction of the Major League Baseball stadium, on the former site of the Tropicana Hotel and Casino, and they have certain metrics that they have to meet regarding the construction of that project in order to earn the credits.

This again was from S.B. 1 of the 35th (2023) Special Session (page 120, Exhibit A). These tax credits were in conjunction with other financing, mostly the creation of a tax district where revenues generated within that district go to pay off bonds that are issued with a limit of state obligation of $380 million over the life of the project.

There are no tax credits that have been issued under this program to date (page 121, Exhibit A). Because it was a fairly new program, when we originally had discussions with Mr. [Steve] Hill at the Stadium Authority, the original expectations that the first credits would be issued in FY 2026, the previous fiscal year. That would have…the five fiscal years then would have been FY 2026 through FY 2030. We had conversations with Mr. Hill, going back to the spring about the timing of this, or the credits, and he let us know then that no credits were anticipated to be issued in FY 2026 and that the first credits would be issued in FY 2027. We closed FY 2026; no credits were issued, so now we anticipate the credits to be issued between FY 2027 and FY 2031. Basically, you take that first year and move it to the back and those are the five fiscal years, so that liability would go until FY 2031.

CHAIR NEAL:

I have a question, because out of the $380 million, $180 million was the state. I know it was 17 different revenues, but it was $200 million that was local that they're foregoing in taxes. How much?

MR. NAKAMOTO:

The balance of that, Madam Chair…there was some money, I think that went to the State Infrastructure Bank as well, but then the remaining tax revenue was both state and local taxes.

CHAIR NEAL:

But and…the local revenue amounted to how much that…in that they were foregoing in revenue to get the stadium?

MR. NAKAMOTO:

Madam Chair, that is a great question and I don't have that amount off the top of my head. We can look into that and I can get you a response though, because I don't remember how it…the assumptions and the economic analysis that was done, I believe by Mr. [Jeremy] Aguero, may have broken that out, but off the top of my head, I don't recall how they estimated that.

CHAIR NEAL:

But it wasn't just Clark County? Well, when you look into this, because I thought it was $200 million that was local taxes, that was going to basically be foregone and that was just Clark County revenue, or is that all the cities within Clark County foregoing revenue?

MR. NAKAMOTO:

Madam Chair, because there were several revenue sources that are pledged under this that flow to the CTX [Consolidated Tax], it would have been the county and any entity, not only at the second tier of the CTX within Clark County, that would have given up revenue. There were potentially some first-tier distribution effects, for things like the SCCRT [Supplemental City County Relief Tax], and Cigarette and Liquor Tax, just because of the way that those were distributed, that there could have been effects. But I don't know if those outside of Clark County effects are necessarily measurable, but the predominant effects would have been on local governments in Clark County.

CHAIR NEAL:

Is there a way when you, when the tax credits start to be taken for FY 2027, we can do a chart that also we can see how the…when you find out what the true number is, whether or not it was $200 million or something…what was the impact of that on the CTX in terms of if we see a dip in FY 2027 and the correlation where we're singling out the political choice to forego $200 million and then there were…that's the first part. The second part is, when this decision was made, there was a belief that once the baseball stadium was built, then they would see revenue come back. The question is, when would the local revenue for CTX bounce back or what they perceive to be the benefit of giving up $200 million in revenue? Because ultimately, not to do a pun except for I'm going to, I saw it as gambling. You gamble on the stadium and then you say, "I'm going to pledge 17 revenues because ultimately, five years from now, stadium is built and I am going to get back what I gave, plus I'm going to also gain hopefully money." I just want to see how it works out in a chart just so we can get an understanding. Because we've heard in this Committee that the local governments say that the CTX was not coming in at the same level, which there are multiple factors, but this is also a factor or an outlier by pledging local revenue for a stadium.

It also is something that I'm putting out on the record because if anybody else wanted to do a stadium later, this NBA [National Basketball Association] conversation that's happening, there's other things that they need to be thinking about on whether or not you can afford to pledge any additional revenue, gamble with your revenue, I'm going to use that pun again, gamble with your revenue, knowing you have local service needs that you need to take care of. But I want to really, I do want to dig into that, when that hits, I want to see the correlation between CTX dip. I want to be like, "Hey, stadium impacted CTX by this degree."

MR. NAKAMOTO:

Thank you, Madam Chair, for the questions. This is me trying to think about the first question and that was the original estimates relating to the CTX. I would have to go back and look to see whether those were included, whether it got that granular in terms of the individual effects on local governments, the second tier of the CTX in Clark County. What I do know is that there are distributions now that are coming from the sales tax to the stadium district. I'll have to look and see if those are publicly reported by Taxation and if they are, whether we are able to take that information and then basically parse it out and do it…pretend as if it were distributed as BCCRT [Basic City-County Relief Tax], SCCRT, because those are primarily it right now. It's mostly sales tax that is being generated, there's a little bit of MBT, which is a State General Fund hit, but in terms of those CTX components, how they would have been distributed at the second tier, if they actually had been CTX revenue.

CHAIR NEAL:

Is this anything that the local government tax group looks at? They don't get into that, do they? That it's an…if they actually report to Taxation, they don't come to interim revenue [Joint Interim Standing Committee on Revenue]. I think it's the local government finance group. What is it called?

MR. NAKAMOTO:

If you're asking about the Committee on Local Government Finance.

CHAIR NEAL:

Yeah.

MR. NAKAMOTO:

I don't know if they are looking at this granular level in terms of the distribution of this revenue. In fact, you might be the only one who's looking into it, I'm not sure, but it is something we certainly can look into to see how that is. All I can tell you right now is based on the numbers that I—and this is coming off the top of my head—it's not a huge amount of revenue that's being distributed right now. The amount of revenue that is being taken and given to the district, to my recollection, is fairly small. That doesn't mean it's going to stay small, but right for this exact moment, I believe it is fairly minimal.

CHAIR NEAL:

But later, in FY…when we finish 84th (2027) Legislative Session, that would be an appropriate time to ask?

MR. NAKAMOTO:

Madam Chair, I can look at it now to see what it is. To the extent that I can actually give you the information, because I'd have to check with Taxation to see whether it's confidential or not. To the extent that I am able to, I can put something together and show you what it is now. You're absolutely correct, as construction continues it is going to ramp up. In fact, it's larger now than it was, say, at this time last year. Then especially after the stadium opens, it will get larger thanks to food and beverages and merchandise and anything else that's taxable, that would be part of that pledge.

CHAIR NEAL:

Yeah, because they did pledge the…they pledged all of the LET [Live Entertainment Tax].

MR. NAKAMOTO:

That is correct. Any LET that's generated in there, I believe Cigarette Tax, Liquor Tax, sales tax, and you're right, there are 17 different ones, and I don't have them all committed to memory. But the two that…there are several that would be affected by the CTX and then at the local level, there're some pledged property tax as well, that would affect primarily Clark County.

CHAIR NEAL:

Can I ask the same question, now you put this in your hat because, I think the granular understanding will be important as we make revenue decisions later. Can we also do the same thing for property tax, so we can see local impact to property tax revenue that won't come in?

I'm only saying this because on the other side of the…not in this Committee, but on the government affairs side, we used to do these property tax charts where we could see year over year locally what was coming in and what was not coming in and then the impact. We were able to see, when we were in the Great Recession in 2011, property tax impact. We were able to see that…we got a before and after picture, we were able to see the longevity from 2011 to 2019. Then we were able to see, or maybe I individually looked for this, see what COVID-19 did, which was a complete…very similar to a 2011, but a shorter term. Then see how it regenerates over from COVID-19 to 2026.

I just think for me, I want to see the operational effects of when we do a tax credit program, the impact of local government revenue, on what you're not going to get in. Then when we believe it's probably going to drop back in the bucket, which is…that's the gamble that we're making. Just so I can get an understanding so when we talk about raising revenue, we see the full picture of impact.

MR. NAKAMOTO:

Thank you, Madam Chair. It is going to not be difficult for us as your staff to put together the list of what's going into the bucket and that is what is being lost, in essence, to this program. In terms of when and how much is gained back through other means, that is the far more difficult exercise and it may be an exercise that is not possible for us to do because…and that's part of what economic development is about, it's that return on investment.

It's going to show up in other places, whether it's the Gaming Percentage Fee, LET generated elsewhere, Sales and Use Tax from incremental visitors outside of the district, and those are things that people have to model and make assumptions on. It's really hard to tease out what is because of the stadium and what is because of other things that are going on because the Eagles extended their residency at Sphere for the 45th time or whatever it is.

CHAIR NEAL:

I get it, but…end of 2027, maybe it's something we can think about and it maybe—we're going to do a side by side—so when we make the policy decision, which impacts taxes, we're looking at all of those assumptions on paper as presented and then we say, "Hey, those numbers look really good, I think I want to vote for this." Maybe it's about putting the assumptions up that were presented to us for the stadium, then having a side by side saying, "Here were the assumptions made, here are line-by-line comparison of what we actually received." Maybe the front first look is end of 2027 or after the session, and then we have a continual look because what I'm thinking about is these questions are going to pop up in the future for future Legislature, before you retire and get out of this game, and if you present these documents to someone else, they should want to know, did the assumptions work out? Did the economic development claims that were presented, manifest? It should be apple to apple at that point. We should see for Uber and Lyft, which are the TNCs [Transportation Network Companies], which are geofenced, which is 1 of the 17 revenues that were captured for the stadium. We should be able to see, this is how much was geofenced and TNC revenue, and this is how much we didn't get.

MR. NAKAMOTO:

Thank you, Madam Chair. We'll work with Taxation, any of the other agencies that are responsible, so the Clark County Assessor and Treasurer, and start going through all those, and we will see what we can do, in terms…and then we'd also have to look and see if there were actually estimates. Otherwise, the only thing we might be able to report to you is actually what was pledged as opposed to what that compared to the projections.

CHAIR NEAL:

However we can do it. We're not trying to do it right now, but it is something that I feel like we probably, just for safekeeping for future legislators, actually put in legislation. That we do a granular look, so that folks can understand impact as they make decisions in the future with revenue, whether it be local or state.

MR. NAKAMOTO:

Thank you, Madam Chair. There are project documents for the stadium on the Stadium Authority's website and those are the resources that we have for that tax credit program (page 122, Exhibit A).

On slide 63 (page 123, Exhibit A), and I promise I'm very close to the end, this is the history of all of the credits from the beginning of time. The first one's taken in FY 2015 for the Film Tax Credit Program and the Nevada New Markets Jobs Act, all the way up to the year-to-date (YTD) revenues and this is through the end of June of this year. We still have a couple of months left in the fiscal year, but this is where we are now.

As you're thinking forward, film is a permanent program, this is something that you had mentioned, the Economic Development Transferable Tax Credits, Tesla and the Faraday [Future]/Redwood [Materials] ones, there's only a few of those left to be taken, but those have gone away. Nevada New Markets Jobs Act, those will be taken at kind of the same pace that they have been up until FY 2031 and there may be some carryover that's fairly minor after that. The Catalyst Account is the $5.0 million per fiscal year to the extent that they're actually issued. Education Choice is around the $6.6 million to $6.7 million per fiscal year, but it can vary beyond that, based on how they're actually used.

College Savings Plan is anticipated to be fairly de minimis, as you can see. Affordable housing under the current program, there's like I mentioned, about $23.0 million left to be taken, compared to the $6.0 million that has been that is still outstanding to be approved, then those would go away. Then the baseball stadium, as I noted, is $36.0 million per fiscal year, that would begin, we believe now in FY 2027. Over the life of all of these programs, you can see that approximately $583.5 million of tax credits have been issued for economic development purposes since FY 2015.

What does this mean in terms of a percentage of the State General Fund? It really depends on the fiscal year (page 124, Exhibit A). There are some fiscal years where it was fairly high. Fiscal Year 2018 is a very good example and that's when we were still in earnest on the Tesla tax credits, but you can see right now we've settled into a point where it is less than 1.0%. In fact, in FY 2025, we're at 0.6% of the total State General Fund was reduced because of tax credits. Over the span of…between FY 2015 and FY 2025, there have been $545.7 million of tax credits that have been used, which represents about 1.1% of the State General Fund.

In conclusion (page 125, Exhibit A), I just wanted to thank a number of different agencies who provided us information and help with this. Taxation, Director [Shellie] Hughes and her staff are always helpful to us, they are always willing to pick up the phone, at least when I call. GOED, and I'm going to actually call out the Film Office separately. We have a good relationship with both GOED, all the people at GOED, as well as Ms. [Kim] Spurgeon at the Film Office. She provided a bunch of documents and information that was helpful. Then the NHD at B&I, Administrator [Stephen] Aichroth and Ms. [Christine] Hess are always helpful to us and will get us anything that we ask for. Then Mr. [Steve] Hill at the Stadium Authority, has also been of great assistance with this. I just wanted to take this last slide and thank all of them for their helping us get this presentation together.

That is all I had, Madam Chair. If there are any more questions, I can attempt to answer them at this time. Otherwise, we can move on to the next agenda item.

CHAIR NEAL:

Thank you for that.

Members this is how we're going to go, I know folks are hungry, but I want to take the Nevada Tobacco Control and Smoke-Free Coalition first and then break for lunch. Then we'll have Mr. Nakamoto come back up and then do agenda item…he has more in Agenda Item VII, but he is going to do Agenda Item VII, VIII and then IX. What we'll do is we'll give him a break.

## VII. OVERVIEW AND DISCUSSION OF THE TAXATION OF CIGARETTES AND OTHER TOBACCO PRODUCTS.

CHAIR NEAL:

I'm going to call the coalition [Nevada Tobacco Control and Smoke-Free Coalition] up and then we'll break for lunch, because they've been waiting patiently. We appreciate it and then you will be free so you can eat.

Is it just going to be you two presenting? You may begin when you're ready.

LISA SHERETZ (President, Nevada Tobacco Control and Smoke-Free Coalition, and Health Educator, Northern Nevada Public Health):

Hello. Thank you, Chair Neal, Vice Chair Backus, and Committee members, for allowing us to present today to the Joint Interim Standing Committee on Revenue. I am happy to be here to give context to the Nevada tobacco control efforts and funding (page 127, Exhibit A). The coalition and its funded partners statewide follow the CDC's [Centers for Disease Control and Prevention] four tobacco control goals (page 128, Exhibit A). The CDC's four goals aim to reduce the burden of chronic disease and death from tobacco use. Goal one is to prevent youth from starting to use tobacco. An ounce of prevention is worth a pound of cure. Goal number two is to help adults and youth who do use tobacco…support them with resources to quit. Goal three is to protect everyone from secondhand smoke because there is no safe level of exposure to secondhand smoke. Goal four is to advance equitable support for tobacco prevention, intervention, and cessation resources.

We are a statewide coalition and some of our members' logos are listed on this slide (page 129, Exhibit A). Prevention activities of our members include urban, rural, and frontier community efforts. Some community efforts are massive, like the youth-led tobacco prevention of Southern Nevada Health District's (SNHD) Breakdown Program. Some are smaller, like the Frontier Community Coalition's Mustang Youth Team, a small but mighty youth-led prevention and leadership initiative that just gained national recognition from CADCA [Community Anti-Drug Coalitions of America], the national coalition organization. All our coalition partners promote health through education and through connecting students, educators, health care professionals, and parents, to resources to help Nevadans live free of tobacco addiction.

The toll of tobacco in Nevada (page 130, Exhibit A). In Nevada, 30% of cancer deaths are attributable to smoking, 4,100 Nevadans die each year from their own smoking. Our annual Medicaid costs attributed to smoking are $160.1 million. Nevada's annual health care costs attributed to smoking are $1.25 billion. Annual productivity losses in Nevada caused by smoking, $2.6 billion.

I'm going to talk a little about the data from the *Nevada Youth Risk Behavioral Survey*. When I started working in Nevada Tobacco Control in 2005, the high school smoking rate was 18.3%. In 2025, Nevada high school students smoke cigarettes at a rate of 4.4%. In 2025, Nevada high school students reported using electronic vapor products 20 or more days in the 30 days prior to the survey, which is an indicator of chronic use, and that rate is 34.3%. In 2025, in Nevada middle schools, students who used electronic vapor products 20 or more days in the 30 days prior before the survey, that rate in middle schools is 16.5%. To compare with Nevada adult tobacco use rates, from the 2023 *Adult Tobacco Use Survey*, adult cigarette use in Nevada was 14.5%, adult electronic vape use was 7.3%.

If we look at funding (page 131, Exhibit A)—our figures are from the Department of Taxation [Taxation] website—annual tobacco tax revenues projected for 2025 are over $205.0 million, Juul settlement funds $14.4 million [*sic*], zero allocated to tobacco control and prevention. Then from the tobacco master settlement agreement, the MSA funds, of $36.0 million [*sic*] annually that the state receives, only 3%, $1.1 million goes to tobacco control and prevention.

The CDC recommended annual funding for tobacco control in Nevada is $30.0 million (page 132, Exhibit A). To repeat myself, $1.1 million is the current annual funding for tobacco control in Nevada. Nevada ranks 46th in state funding for tobacco control. Our cigarette tax per pack is $1.80, the national average is $2.05 a pack.

Now I will turn it over to my colleague in Las Vegas, Jennifer Atlas from the American Cancer Society Cancer Action Network, to discuss policy. Thank you.

JENNIFER ATLAS (Board Member, Nevada Tobacco Control and Smoke-Free Coalition and Government Relations Director, American Cancer Society Cancer Action Network):

Thank you so much, and thank you to Chair Neal and the Committee for having us today.

I want today to walk you through our coalition's recommendation (page 133, Exhibit A). We're proposing a $1.75 per pack increase in the cigarette tax along with a parallel increase on all Other Tobacco Products [OTP] to maintain tax parity. That includes products like e-cigarettes, smokeless tobacco, and other nicotine products already covered under Nevada law. Just as important, we recommend dedicating a portion of the new revenue to sustainable tobacco prevention, cessation, and control programs in communities across Nevada.

Today, we're generating significant tobacco revenue but investing very little back into helping people quit or preventing youth from starting. The current tobacco rates, we should have a slide that shows it, the current tobacco tax structure (page 134, Exhibit A), cigarettes are currently taxed at $1.80 per pack, while most OTP are taxed at 30% of the wholesale price. As new nicotine products have entered the market over the past decade, the tax structure has become increasingly inconsistent. Our proposal updates that structure so that similar products are treated more consistently and fewer gaps exist in the law.

Based on the established economic modeling (page 135, Exhibit A), this proposal is projected to generate approximately $51.0 million in new annual revenue from the cigarette tax increase, with an additional $14.6 million from bringing OTP into parity. That represents roughly $66.0 million in new annual revenue. These estimates already account for expected reductions in cigarette sales while also advancing an important public health objective.

Beyond revenue, this proposal produces measurable public health benefits (page 136, Exhibit A). The model projects a 12% reduction in youth smoking, preventing roughly 4,000 young people from becoming adult smokers. It also estimates that more than 11,000 current adult smokers would quit, preventing approximately 3,900 premature deaths over time. These are measurable health outcomes that translate into healthier families and lower long-term healthcare costs for Nevada.

These health improvements translate into very meaningful savings (page 137, Exhibit A). Over five years, Nevada is projected to save millions in health care costs from fewer smoking-related cancers, heart attacks, strokes, and smoking-related [*sic*] pregnancies. Medicaid alone is projected to save more than $4 million. Looking longer term, the estimated healthcare savings exceed nearly $208 million as smoking rates will continue to decline.

Finally, I'd like to briefly address the projections themselves (page 138, Exhibit A). These estimates are state-specific, fiscally conservative, and updated annually. They were developed by national experts from the Campaign for Tobacco-Free Kids, American Cancer Society Cancer Action Network, and Economics for Health at the Johns Hopkins Bloomberg School of Public Health. Importantly, the model already accounts for expected reductions in cigarette sales, tax avoidance, and cross-border purchases. Even after accounting for those factors, the evidence consistently shows that increasing tobacco taxes both reduces smoking and increases state revenue. Now I'd like to pass it on to JoAnna Strother from the American Lung Association.

JOANNA STROTHER (Board Member, Nevada Tobacco Control and Smoke-Free Coalition, Senior Director of Advocacy, American Lung Association):

Thank you. Good afternoon, Chair and members. Tobacco taxes are a reliable source of revenue for states (page 139, Exhibit A) in every state that has ever increased its cigarette tax rate has received more revenue than it would have obtained absent the rate increase. State cigarette and overall tobacco tax revenues are much more predictable than the state income or corporate tax revenues, which can decline sharply during recessionary periods.

In just over ten years since our last tobacco tax increase, Nevada has seen more revenue in the years following 2015 when revenue then generated $117.4 million to now $156.5 million last year. I also want to mention that tobacco use causes the State of Nevada $1.0 billion in healthcare costs. In states that have passed a tobacco tax, states have seen substantial monetary savings from lower smoking rates.

Lower income communities already suffer disproportionately from smoking caused diseases, disability, death, and costs (page 140, Exhibit A). By promoting lower income smokers to quit and cut back, raising state cigarette taxes will reduce those regressive harms and costs directly helping lower income smokers and reducing smoking-caused costs and harms to their families. This is where state cessation resources also become really important and should be provided. Multiple studies and reports conclude that lower income smokers are more likely to quit with increased tobacco taxes because they are sensitive to price increases. The same goes for youth who initiate. Less youth will also begin experimenting with tobacco products because they too are price sensitive.

We heard last session [83rd (2025) Legislative Session] about Modified Risk Tobacco Products, also known as MRTPs (page 141, Exhibit A). Creating a separate tax structure for MRTPs is unnecessary and burdensome. As I mentioned before, one of the reasons to increase the tax on tobacco products is to keep them out of the hands of our youth. Keeping rates high on some products or having no to little tax on others makes them more accessible to kids. Also, tax equity discourages youth initiation of new products, avoids dual use of combustible and MRTPs, and prevents market loopholes that undermine tobacco control initiatives.

I believe that is our last slide. Thank you so much, and we're happy to answer any questions that the Committee may have.

CHAIR NEAL:

Thank you for that. Members, any questions?

You guys presented…you've put it in your presentation that basically you know that raising the tax would then basically cease the use, which is what your plan is. But what do you do then, when they shift to some other sin? Because they're not just using cigarettes, there's OTP, there's other things that are going on. Ultimately, you tax it and then they stop using it. Then what?

MS. ATLAS:

Thank you for the question. The idea is that they would quit using these products entirely instead of moving to a different type of product. What we want to do with the 30…with the parity, is make sure that the OTP products are taxed at the same rate that the cigarettes are, so it's not just going from one product to a cheaper product. The industry is going to keep introducing new things to the market; they're not going to stop. This structure makes sure that anything new that comes to market will already be taxed at this…that same structure as well, so that it's not this new product that is all of a sudden extremely cheaper than what they may have been using before.

CHAIR NEAL:

I get it and I understand where and why you guys want to go this way. It's just that for…the tobacco money that you guys want will pay for the prevention programs for youth and other things. But the tobacco money that comes into the state pays for several other programs. When that revenue completely dwindles, because it is slowly degenerating, what then do we use for the source of funds? Because it goes into the Fund for Healthy Nevada [FHN], it goes to pay the Millennium Scholarship, and then it also goes into the General Fund, which then pays for broader use. Strategy over here, we want to stop tobacco use, well intended, but the money itself is also being used for other things. As you heard in the prior presentation, it is also a part of a capital stack funding a stadium. If we…if the revenue no longer exists because no one is buying the cigarette, what's the replacement tax?

MS. SHERETZ:

That's an interesting question. I think the only way I could predict the future is to say that the tobacco companies are not going away. If we are taxing these products, they're going to come up with some new products. So, there's that. Also, do we want to tell our grandchildren and their grandchildren that we had a chance to stop them from using tobacco, but we didn't because we were afraid of decreased income?

The tobacco companies are well versed in making sure that youth use their products. They are documented as saying they are future consumers, so we need to get them early because of how nicotine affects youth brains. I understand absolutely, I'm a native Nevadan, the concern for revenue in this state. However, it can't be at the expense, in my opinion, of our youth and our health, because the backdoor cost of tobacco use, let alone the human cost of suffering, of struggling with an addiction, is too much in my opinion. Thank you.

MS. ATLAS:

I'd like to add on just a little bit to that, if possible, thank you. In addition to what Lisa [Sheretz] just provided, every state that has enacted a similar policy and raised their taxes, have seen significant revenue increase. While it is diminishing, it's predictable, it's not all at once. There is the…big tobacco that will keep coming in with their new products, but we will also see an increase in revenue from the jump because of this.

MS. STROTHER:

One other point I wanted to mention as well. Also with tobacco, like she's saying, it is predictable. But also states revisit their tobacco tax on a consistent basis and seeing that…we have states around us, Arizona, New Mexico right now, Colorado has been on an incremental increase for the past six years. Revisiting and looking at it, knowing that new products are going to hit the market…there were many years where e-cigarettes were not taxed, they were so new to the market, and states were missing out on that

revenue. As long as we're looking at it, again they're predictable, and revisiting it and making sure that we incorporate any new products that come onto the market. It is one of the reasons why the definition of tobacco product is so important, so that we make sure that we're not losing out on revenue and we're capturing those new products.

CHAIR NEAL:

I appreciate the commentary, the argument, I don't…up north, what is your name?

MS. SHERETZ:

Hello Chair, my name is Lisa Sheretz.

CHAIR NEAL:

I appreciate, the argument about the generational outlook and what will we tell our grandchildren, because I'm making the same argument on what will we tell our grandchildren, next generation, generation after, or eight generations later. My daughter told me that Native American communities think about what is the eighth generation after you going to have? I'm thinking about that in terms of water, I'm also thinking about that in terms of making that argument when I talk about data centers. I'm not lost on the concept of what are the trade-offs. Do you support capitalists or billionaire companies over your own children or future grandchildren? Not lost on that.

In this Committee, we look at the bill drafts that the Committee wants to take on, and it's a vote, we're going to do that in August. We know that it's an issue, we just wanted to get this presentation and try to get an understanding on what is it that the Committee wants to do and what the Committee will move forward in doing.

We appreciate this presentation. We know that there's second part of this presentation with the Health and Human Services Division [*sic*]. We'll definitely put this in the queue for something that we take up for the vote in August. I know it's related to the SURG [Substance Use Response Working Group] committee agenda items and we will definitely look into this. Then our Fiscal will then talk some more on the tax policy front, so the Committee can get a better understanding about how that tax has been moving year over year and we can think about the fiscal impact.

But as you guys have heard in the prior, I'm always thinking about, if we do x, we got to find a way to still pay for the other things that are part of the budget that are not going away. The Millennium Scholarship, we're not going to shut that down, we're not going to close that out. We're always have to think about what's the revenue replacement there. We are going to do some revenue generation. The question is, what's the true impact and the global effect of the revenue bill that comes out of this Committee, that will help serve the needs of, hopefully, all Nevadans and the services that need to manifest. That's our consideration, your consideration is to put your policy forward for us to review. We appreciate it and we thank you for sitting all morning and laughing at my jokes.

MS. STROTHER:

Thank you so much and we're always available for questions after the…going moving forward, if you have any.

MS. SHERETZ:

Thank you, Chair. Thank you, Committee.

CHAIR NEAL:

I believe we still have a little bit of time to take Department of Human Services, Ms. Rich? They're not in the room? What we will do now then is take a quick lunch break. Can we do 20 minutes and then just come right back? Then, Ms. Rich, if you're around, if you can make your way to the committee room around, I would say 1:25 p.m., then we can start your presentation. We're on break.

Chair Neal called a recess at 12:53 p.m. The meeting reconvened at 1:32 p.m.

CHAIR NEAL:

We're going to call the Joint Interim Committee on Revenue back to order. We are going to ask the Department of Human Services, Ms. Laura Rich, to come to the table.

LAURA RICH (Director, Department of Human Services [DHS]):

Good afternoon, Madam Chair and members of the Committee. Today, I am here to present to the Committee on the Fund for a Healthy Nevada (FHN), and just some information and awareness for this Committee to understand the tobacco revenues, how it is impacting the DHS, and the programs that are funded by it.

Just a little introduction (page 147, Exhibit A), the FHN is actually…is essentially the fund that collects and administers the tobacco settlement funds. It's the DHS's portion of it, which is about 60% of it, and the other 40% is under the Treasurer's Office, and it goes to administer the Millennium Scholarship. Both the DHS and the Treasurer's Office take a small amount of administrative expenses, a small cap of…it's capped at 2% and 5% respectively. But the rest of it, at least the DHS side of it, goes to health and wellness programs within our department.

A little bit about the programs that it's funding (page 148, Exhibit A). Every two years we do what we call a needs assessment. That needs assessment identifies the most urgent health and wellness needs in Nevada. Then we have a committee, it's called the Grants Management Advisory Committee, that's made up of members throughout the community, citizens, that make up different segments of the community. They determine how best to fund these…to use those funds. Here in this slide, you can see that there's just, there's different funding areas by category. Obviously, the largest fund here is for wellness, and you see senior independent living also receives a big chunk of it too. You've got some other…smoking cessation, assisted living, some disability services, things like that.

On the next slide (page 149, Exhibit A), now you see specifically what is funded by these programs. You see that there's very significant programs here, 2-1-1 is funded by the tobacco settlement funds, FQHCs [Federally Qualified Health Centers], the MOST [Mobile Outreach Safety Team] programs, respite services, Independent Living Grants. You see that there's quite a significant list of programs here that are funded by the FHN.

We'll get to the revenue portion now (page 150, Exhibit A). To give you a little bit of background, the projections from the Treasurer's Office are received in December. This is the information we get from the Treasurer's Office saying this is how much we think we're going to get in tobacco settlement funds. Just to give you a little bit more detail on that, tobacco settlement funds are basically…there's two portions of, two parts of how those are determined yearly. It's how many cigarettes are sold, that's part one. Then also the second part is an inflation-based amount. Our department receives that information from the Treasurer's Office. We get those revenues, but the, or I'm sorry, the projections, but the revenues are not received until April.

Back in 2025, during session, the budget was built and during the 83rd (2025) Legislative Session, well after Gov Rec [Governor's recommended budget] was submitted, we found out that there was not going to be sufficient revenue. During session of that year, the DHS staff had to go back and they had to submit budget amendments that essentially reduced the FHN budget by about 12% of each year of that biennium.

The good news here is that it appears that, as you've heard before, people are using tobacco less. The bad news is that there are, as you can see, some significant programs that are funded through the tobacco settlement dollars and we're seeing much less revenue year over year. We're looking at between FY [Fiscal Year] 2024 to FY 2029, a cumulative loss of about 31%. It's going to be a very significant cut. We're looking at just in this next biennium as we're building budgets, we're thinking somewhere along the lines of 7% and 8% of a reduction each year of the biennium. As we're looking at this and we're building those budgets, we're probably going to have to go through…we're talking to each of our divisions and trying to find out where can we…what programs can absorb it a little bit more easier than some other programs. Obviously, it's going to…we don't want any program to be…to have to absorb this, but we're faced with these…with what looks like to be pretty significant cuts and we're going to have to make some hard decisions.

There are some programs here that are funded, their funding levels are established by statute, so those are not able to be cut. That means that other programs are going to have to be cut, probably more significantly than that 7% or 8%, so we might have to look at cutting some by 15% or 20%, to make up for some of those other programs that cannot get those same cuts proportionally. We're looking at that and we're trying to work with our divisions and work with our stakeholders to really be meaningful about how that is funded.

But we wanted to make sure that this Committee was aware of those impacts, especially going into next legislative session and what that will do to the programs that are funded by the tobacco settlement dollars. As we know, it's great that cigarette smoking is seeing a reduction. I would go out on a limb and say that it's probably being replaced by vaping, and we don't get tobacco settlement dollars from vaping. We get…it is taxed at the same rate as tobacco products, but we don't get that, there's not a tobacco settlement being a revenue source for the vaping products.

I think with that, my presentation very quickly, I just wanted to make sure that this was on the radar of this Committee, and we've already presented it also to [the Joint Interim Standing Committee on] Health and Human Services as well, because it's going to get…it's going to be a significant hit for some of our programs moving forward.

With that, I will pause for any questions. I know that there was…it's a quick presentation compared to some of the other ones today, but I will pause for any questions that the Committee may have.

CHAIR NEAL:

Thank you for that. Members, any questions? Assemblymember Nguyen, do you have a question?

ASSEMBLYMEMBER NGUYEN:

Thank you, Chair. I don't know if you can hear me. Great. I just wanted to put on record, thank you for that presentation. I just want to confirm that the program that you mentioned is solely funded by these dollars. They're not funded perhaps like, a percentage here from this fund and a percentage from a different fund. This is all the program that you mentioned earlier are 100% funded by the settlement dollars.

MS. RICH:

Not necessarily, it depends on the program. For example, independent living might receive some other grants, there might be…it's funded through a portion of the FHN funds.

ASSEMBLYMEMBER NGUYEN:

Thank you, Director. I just want to, for my own knowledge, and if you can help me with this information offline, I would love to see it. I'm just wondering in terms of all the programs you listed, if you have a percentage that it comes from this fund, and then the rest, so that we can see what that impact would look like. It's nice to see them on a long spreadsheet, but at the same time, just trying to picture all these programs that is doing good things for our community and our constituents. We want to see what that impact looks like maybe in a bit more details. If you can provide that to us, that would be great, offline. Thank you, Director. Thank you, Chair.

MS. RICH:

We can certainly do that.

CHAIR NEAL:

Thank you for that. When you do that, can you provide it to the Committee, because I think it would be helpful to understand, so like in suicide prevention this is 40% funded tobacco settlement, 30% grant, 10% General Fund, so we know what's going on. Because when I saw Suicide Prevention, I immediately thought 988, and then Senator Doñate corrected me that 988 is funded for suicide calls but it is the telecommunication fee. It's an entirely different program, and although it relates to suicide prevention, it is not the same. I know this isn't the health committee, but since tobacco…an increase in tobacco tax was put on the agenda for today, we just need to understand what the impact would be if we raise that revenue. What truly we're solving or curing here other than prevention?

MS. RICH:

I just want to clarify that the tobacco tax itself does not fund these programs. This is funded, the FHN is specifically the tobacco settlement funds. The taxes that are received through the tobacco tax and vaping taxes, that is not revenue that funds these programs. This is specifically through the tobacco settlement fund.

CHAIR NEAL:

Ms. Rich, when does the tobacco settlement expire? Because I thought on the recent SURG committee, there was another distribution that went through the AG's [Attorney General's] Office that was a settlement. When does it expire?

MS. RICH:

Chair Neal, I will have to get back to you on that one. I'm not…just off the top of my head, I don't know when that settlement expires. I know that we do receive yearly distributions from that tobacco settlement MSA.

CHAIR NEAL:

I'd love to know how…what cuts have you had to do to these existing programs under the settlement. Maybe you can provide that offline. If we're talking about a wholesale shift to fund these programs with another source that's not tobacco tax, I'd love to definitely hear your idea on what that could possibly be, because these are a lot of programs.

Members, no additional questions? Well, maybe…sounds like we have a lot of needs and I appreciate you putting this into the revenue sphere for today, so we can figure out what revenue strategy we're putting forward. With that we will go ahead and close the presentation from the DHS and we will open up for Mr. [Michael] Nakamoto to still talk about tobacco taxes but give us a different legislative history.

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

Thank you, Madam Chair and members of the Committee. Because you didn't want to hear me give another presentation today—but yet, still feeling as staff like we needed to put together some history and some information—there are five tables. The members have printed copies of them, we did not print any copies for the public. They are available on the Committee's webpage, under the meeting materials for today. But there are, as I noted, five tables that go through a bunch of information that we thought is useful about the history of the tax, as well as about historical revenue collections. I should note that this is not only for the cigarette tax, but this is also for the tax on OTP.

Table 1 (Exhibit D) is four pages talking about key legislation relating to the taxation of cigarettes. Starting with Assembly Bill [A.B.] 94 of the 43rd (1947) Legislative Session, which had the first tax on cigarettes in Nevada, all the way to the most recent change that was alluded to in the first presentation under this agenda item, Senate Bill [S.B.] 483 of the 78th (2015) Legislative Session, the last time the tax was raised. It was, at the time, $1.00 per pack increase to 90 mills per cigarette, or $1.80 per pack of 20 cigarettes.

Table 2 (Exhibit E) is similar to Table 1 (Exhibit D), except instead of dealing with cigarettes, it is dealing with the taxation of OTP. This one has a little bit more recent history, it was first put into place by S.B. 97 of the 62nd (1983) Legislative Session and then the most recent actions were during the last 83rd (2025) Legislative Session, A.B. 471, which created a companion tax on remote retail sellers of OTP, as well as making a clarification to the definition of OTP to include products made or derived from tobacco. Because you're only talking about a few decades, or just over 40 years, that is only two pages, it is considerably shorter.

Table 3 (Exhibit F), because a lot of the information that is in Table 1 (Exhibit D) and Table 2 (Exhibit E), talks about rate changes, or distribution changes to these taxes, Table 3 actually summarizes a lot of this information and shows the legislation that changed either the rate or the distribution for either the cigarette tax or the tax on OTP, or where the taxpayer collection allowance was changed.

For both of these taxes, the taxpayer is allowed to keep a percentage of the tax to compensate their costs of collecting the tax, which has steadily decreased over the years. It started at 10.0% for the cigarette tax and made its way down to 0.25% back in 2008. Then with the tax on OTP, it started at 2.0%, and it's now at that same 0.25%. I figured this table was interesting in just looking at where the tax has gone.

The other thing that is interesting to note on this tax is the shift in how the Legislature has perceived this tax. When it was first put into place in 1947 (43rd Legislative Session), it was exclusively for the State General Fund, and then the local govern…and the rate was raised in 1949 (44th Legislative Session), local governments were given a portion of it. Then over time, that mix of the tax changed such that by the late 1960s, it became an exclusively a local government revenue source. Then starting in 1983 (62nd Legislative Session), there was a State General Fund component to it, but the local

rate of $0.10 per pack has always stayed in place at least since 1969 (54th Legislative Session). Any changes to the rate since then have been to the State General Fund and not to local governments. That was the interesting thing that I noted on…at least the cigarette tax for Table 3 (Exhibit F).

Turning to Table 4 (Exhibit G), some of you will recall or probably most of you will recall from previous meetings, we've put together a series of tables that show historical revenue collections, as well as adjusting them for inflation and population over time. Table 4 does that for the cigarette tax. I wasn't intending on showing any portion of these, but I thought I would bring up, Chart 2A (page 3, Exhibit G) for the cigarette tax and this kind of shows the history of the tax and how it has behaved. You can see that it was fairly flat around $40 million per fiscal year up until FY 2004, and then it jumped up. That was in the 2003, one of the special sessions, the 20th (2003) Special Session to be exact, the price of cigarettes, or the tax rate on cigarettes was increased. As a result, you can see this drastic jump in the cigarette tax collections for the State General Fund, both in current dollars, which was at…what was actually collected, and then adjusting for inflation. That stayed in place for a few fiscal years through that boom in the early to mid-2000s and then you could see it falling off, then by the time you get to FY 2009, that's when the Great Recession started, and so everything was falling off of a cliff.

But in conjunction with that was, I think, a shift in the attitude towards smoking. If I were to show you the number of packs that were stamped and that is how the tax is based in Nevada, based on the stamps that are sold by the Department of Taxation, you could see that stamp count going down from this point as well. For whatever reason, attitudes in smoking, economic reasons, and so on, you can see the tax revenues decrease all the way through FY 2014. They jump a little bit in FY 2015, and then they jump a lot in FY 2016 and…primarily FY 2015 and FY 2016, and even a little bit into FY 2017. This was the result of the tax changes in the FY 2015 session to raise the cigarette tax rate by $1.00 per pack. But you can almost immediately note that with the exception of one fiscal year, that revenue has been decreasing.

When you look at FY 2019, what we're attributing that little bump to is that our neighbors to the west, the State of California, at the November 2016 General Election passed Proposition 56, which increased the cigarette tax by $2.00 per pack from $0.87 per pack to $2.87 per pack effective April 1, 2017. What we are thinking when we see that revenue tax, cigarette tax revenues increased in FY 2019 is a lot of cross-border effects. That is Californians realizing, "I'm coming to Nevada; cigarettes are $1.00 a pack cheaper here because of the lower tax. I'm going to buy more." We think that that has a lot to do with it, because otherwise, you can see what the trend is on cigarette tax revenues.

When you get out to FY 2026, which is the Economic Forum's forecast, the cigarette tax revenue forecast for FY 2026 is lower than the peak of revenues before the 2000, or after the 2003 tax increase and before the 2015 increase. We've fallen that far. Essentially what that means is, we've given back the entirety of that tax increase from 2015 because of the changes in consumer behavior, whether they're substituting to other products or they've stopped smoking altogether. That's kind of the law…when you start looking at

how the cigarette tax performs, it's yes, you will have this short-term bump, but if it is anything like we saw in 2000 with the 2003 increase, and especially the 2015 increase, those will be given back at some point.

CHAIR NEAL:

Let me ask you this, because I know you're going to go to Table 5 (Exhibit H), is there a way, I know you have OTP separate, is there a way that you can do a combined chart that shows the inflation and current dollars, and then have the OTP and cigarette on the same chart so we can see whether or not OTP was growing while cigarettes were going down? We can just have it in one chart. Because I think…I know you have it separate and we can…but it would be good, it would be so wonderful to see it all together.

MR. NAKAMOTO:

Madam Chair, that is something we will put on our list to do. That would not be a huge reach for us to do, we can take care of that and get that out to the members of the Committee, probably sometime early next week.

Turning to Table 5 (Exhibit H), the Chair stole my thunder a little bit, but Table 5 is basically the same information as Table 4 (Exhibit G) except for the OTP tax, again going back to FY 2016. Again, I thought I would bring up…sorry, back to FY 1996, and I have brought up a Chart 3B (page 4, Exhibit H) in that particular packet…which is basically the, actually, I would like 2B. Chart 2B (page 3, Exhibit H) is the same thing, it is actual collections for the OTP tax, both in current and inflation-adjusted dollars. You can see that this one actually, instead of declining, has largely increased over the years. Whether that is a substitution into other products that would be considered as tobacco products that are not cigarettes, or inclusion of new products into the market that didn't previously exist. This one has actually grown fairly substantially, at least up until recently. The biggest jump you can see started around FY 2019 and into FY 2020. Former Senator Ratti back in 2019 had a bill that included e-cigarettes and vapor products in the tax base as OTP, and that largely explains the giant jump that you see there. Then you can also see that that jump is fairly short-lived in that we hit the peak in FY 2022 and it is declining.

Whether that is now the idea that perhaps there's a perception that vapor products are not as safe as people may have originally believed, or that they are moving into other products that are not currently captured under the tax. That I'm not sure, but that is a curious observation, at least to me as your staff. I thought, given the presentations today, I thought it would be interesting to show these particular slides in terms of how these taxes have behaved over the past 30 years or so. That's really all I had for those tables, Madam Chair. I can answer any additional questions that may come up. Thank you.

CHAIR NEAL:

Members, do you have any questions? I just have one and then we can just take that offline. It seems like because of the sharp highs and lows with the tobacco tax and then the fact that the vape tax is also declining, it doesn't seem like this is a stable revenue. Even if you increase it, you just get the temporary jump and then it spikes back down, they're very sharp highs and then drop offs. When we talk about sustainability to…if folks want to tax themselves out of a problem, it makes perfect sense. Because ultimately that's what you're going to do, you're going to use…the idea is to use the peak where you get this increased revenue, ramp up your programs to stop tobacco use, and then basically say, "There's no more money there." But I'd be interested to find out…do you think any national studies are out showing that there is a third product development that is gaining the revenue? Is there any place that I could look to see if there's a third outlier? Is the third outlier that's eating into this cannabis?

MR. NAKAMOTO:

Thank you, Madam Chair, for the question. Your observation with respect to the spike and decline is especially true with cigarettes. We do know that there is documented evidence that shows that increases in the price of a pack of cigarettes, result in a decrease in smoking. I think the common figure that we use is that if you raise the price of a pack of cigarettes by 10%, then you reduce consumption of cigarettes by about 4%. I think that's what the conventional analysis of that shows. That will explain then why you have the sharp decrease in, or eventual decrease in the tax after you've increased the price. You get the spike and then it falls back down.

With OTP, I'm not so sure about what is going on that is driving this decrease and what other people may be doing. You may be correct, it could be cannabis, I'm not sure. It could also be that people have realized that vaping is not a preferable or a better option, and they've quit vaping as well. The third thing that we may have to look into is that there could, and I believe that there are still products that are escaping taxation, under the current definition of OTP. The nicotine pouches such as Zyn for example, to my knowledge, and my understanding, are still not captured under the OTP tax, based on a taxpayer or a bulletin that was put out recently by the Department of Taxation. It could be that not necessarily because of the tax treatment, more than consumer preference or it could be the tax treatment, that people are switching into other products that are not taxed, thereby decreasing the reliance on the products that are taxed. But that's something we can see if we can investigate to see if there's anything else that could be driving that.

CHAIR NEAL:

Can we ask the Department of Taxation if there's any leakage in OTP or…and when we defined it, did we define products out that we probably should capture? Because there was a heavy fight on OTP, we could…and products have changed since then.

MR. NAKAMOTO:

Thank you, Madam Chair, for the question. The change to the definition of products, OTP, that was made in the 2015, or 83rd (2025) Legislative Session that included products that were derived from tobacco. I am not sure whether that ended up picking up anything else. If I recall the bulletin that the Department of Taxation put out, it did not, it may not have picked up anything, but it is certainly something that we can work with the Department of Taxation on and to see what definition would start picking up some of those things that the bulletin notes is specifically excluded.

CHAIR NEAL:

Thank you for that. We will close this presentation and then go to Agenda Item VIII, which is the status on the studies required pursuant to A.B. 457.

## VIII. STATUS UPDATE ON THE STUDIES REQUIRED PURSUANT TO ASSEMBLY BILL 457 OF THE 83RD (2025) LEGISLATIVE SESSION.

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

Thank you, Madam Chair. I promise I will make this one quick in the interest of time. As you all recall, Assembly Bill [A.B.] 457 (83rd [2025] Legislative Session) was approved by the Assembly and the Senate and signed by Governor Lombardo to require this interim Committee to do two different studies. The first related to the Commerce Tax and the second was relating to a…what is known as a Controlling Interest Transfer Tax, and that being similar to the Real Property Transfer Tax, but it would apply when the controlling interest or ownership of a parcel changes in terms of the entity who owns the parcel when that ownership of that entity changes.

We have until December 31, 2026, to put out a report of our findings on the information that is required in A.B. 457. I'll talk about these in two parts because it's probably easier to talk about it that way. In terms of the Commerce Tax portion, and that's basically to determine the potential effects of requiring a combined reporting for entities in the real estate area that have similar beneficial ownership. For example, if you have one entity that created a bunch of LLCs [Limited Liability Company] here in Clark County that each hold one or two properties and they rent those out, whether combining all of those entities into a single entity for the purposes of the Commerce Tax, what that would entail in terms of revenue. For that, we have taxpayer data for the Commerce Tax to see how many of these entities may be picked up, but that is not really going to help us with the entities who may be escaping taxation because they have Nevada gross revenue of less than $4 million per year, because each of these individual LLCs or entities under the law are entitled to that $4 million exemption. What we have then done is we have requested parcel data from the Washoe County and Clark County Assessors to see if we can find out common ownership, and then we will have to work with the Secretary of State's Office once we receive that data to see if we can tie some of those entities together into common ownership and then start trying to figure out the pieces from there.

We have worked with the Nevada Association of Counties, and I want to thank them now for their help with this, but we are still waiting on the information for that piece. We figured this is actually the easier piece of the two, even though we're probably going to be getting back thousands of records from each of those assessors. Frankly, we narrowed it down to Washoe and Clark because predominantly those entities are going to be based in those counties and that's where the effect is going to be.

With respect to the Controlling Interest Transfer Tax information though, this one is proving, I think, to be a little more difficult on our side. What we really have done is spent a lot of time researching what a Controlling Interest Transfer Tax is in the number of states that have such a tax. What we have found is that there are different ways to do it, there are a lot of different taxes that are involved, and frankly, some of the laws in some of the states are so convoluted that they may actually be imposing a tax and there's not really anywhere in statute we can find or that we can point to that shows where they have the authority to do it or how it is supposed to work, they just exist. Don't ask me about that, I can't point to a lot of instances in Nevada where we do that, if any, but in some of the states it's just really difficult to find out.

But what we have learned through this is that there is no single way to do it. It can be done at the local level, it can be done at the state level, and there are a number of different options that we can put forth and we will put forth for this to be done. What is clear to us though, is when the final results come out, there will have to be a, regardless of the methodology that is used, if such a tax were imposed, there are a number of different things that the state would have to do that it is not currently doing, to be able to facilitate that. When we get to that part of it, that's when we will have to reach out to the county recorders to see if the…it goes that direction, what they would need. If it goes at the state level, it probably would require resources and changes for the Secretary of State's Office because the biggest fundamental hurdle that we have right now is when these controlling interests change, a lot of times they're never recorded, either at the state or the local level. Somebody will have to be able to record them so we know to impose the tax. Whether that happens at the state or local level, that would be a policy decision that ties into all of this. We would have to work with them to see what kind of resources would be needed and how that would work from their perspective.

Again, we're still in process on a lot of this. There's a lot to dig through, but we are working towards that deadline of December 31, 2026. But just because we are now about halfway through the year, I thought it would be appropriate for us to basically relay where we're at right now, and what we still need to do to get to the finish line on this.

With that, Madam Chair and members of the Committee, that's all I had on this, just to go through this verbally. I am glad to answer any questions to the best of my ability. Thank you.

CHAIR NEAL:

Members, do you have any questions on this? Seeing no questions on this, it'll be interesting to see what you come back with later. We will close Agenda Item VIII, go to Agenda Item IX, which is the YTD actual collections.

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

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

Thank you, Madam Chair. I have a presentation for this agenda item, Table 5 (Exhibit J), which provides the year-to-date [YTD] revenue update for Agenda Item IX, it is being distributed as a handout outside of the meeting packet and it is also available online as an exhibit on the Committee meeting webpage.

The report provides detailed information on all unrestricted General Fund revenue sources including actual collections for Fiscal Years (FY) 2023 through FY 2025 and YTD collection comparisons for FY 2025 and FY 2026 based on agency reports received through the end of June.

Overall, most major revenue sources are performing similarly to the previous revenue report, the primary exceptions are Sales and Use Tax and Gaming Percentage Fee collections, both of which have shown positive momentum in recent months, suggesting some improvement in tourism-related activity in Las Vegas compared to earlier in the fiscal year. With ten months of collections recorded, FY 2026 YTD collections for the state 2.0% state portion of the Sales and Use Tax are up $194.3 million, or 13.9% compared with the same period in FY 2025. However, this year-over-year comparison is distorted by the implementation of MYNT, My Nevada Tax, and other administrative factors affecting both periods. After adjusting for the MYNT implementation timing that temporarily is affecting the FY 2025 YTD reporting, FY 2026 YTD collections for the 2.0% Sales and Use Tax are approximately $119.3 million, or 8.1% higher than those for the same period in FY 2025.

Then a note about that Gaming Percentage Fee, that fee now reflects a full fiscal year of collections for both FY 2025 and FY 2026. Fiscal Year 2026 Gaming Percentage Fee collections, before tax credits, increased by 4.9% over the previous fiscal year. Fiscal Year 2026 marks the first fiscal year in which Gaming Percentage Fee collections exceed the $1.0 billion threshold. Although minor revisions may occur before FY 2026 is officially closed, current collections are approximately $59.0 million above the Economic Forum forecast. You cannot see that in that table, I was just giving you extra information on that.

Then if I fast forward, on page 5 of Table 5 (Exhibit J), as shown here on the bottom of page 5 of the report, total FY 2026 General Fund net after tax credit revenue is $280.7 million, or 6.0% above the prior year's level at the same point in time. Adjusting for the effects of MYNT would reduce that growth rate to approximately 4.4%. Then if we

compare relative to the Economic Forum forecast for FY 2026 and after adjusting for MYNT timing issues, we estimate that General Fund revenues are approximately $187.0 million ahead of where they would typically be at this stage of the fiscal year. Nearly 60.0% of that $187.0 million cushion, or approximately $107.0 million represents one time windfall revenue resulting from administrative changes or timing-related issues affecting when certain tax revenues were recognized during the FY 2026 as we have been reporting to you in our earlier meetings.

That concludes my presentation on this agenda item, and we are ready for any questions you may have. Thank you.

CHAIR NEAL:
Members, any questions? Not seeing any. Mr. Nakamoto?

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

Madam Chair, I'm just here as phone a friend in case there are any questions that Ms. Powers would not be able to answer. Thank you.

CHAIR NEAL:

I…it's not even a question, it's more of a comment. If we could, I think just seeing that when we look at where we're at in this point in time during this year, is there another chart similar to what you did for the cigarette where we could see…I would say 2019 to now, where we could see how revenue is moving? Just kind of see the peaks and the lows on same time, during the same year, where revenues were. I just want to get a sense of, I like the little, I like the, they're not bar charts but the charts where we can see those…what consumer behavior was happening. What was happening economically to change the game. I think for us now, seeing what tariffs are doing to our economy, seeing what other outliers are impacting our revenue, and just to get an understanding of like there's at least a chart that says, this consumer activity or this political decision affected what we're getting.

MR. NAKAMOTO:

Thank you, Madam Chair. We…the only charts that we've put together are by fiscal year, similar to what we showed for cigarettes and other tobacco. We have going back to FY 1996, I believe just the actual collections and inflation adjusted. In terms of collections by month, that's something we have not put together, it's something we could put together because we have that going back a ways, based on the monthly updates that we're doing. That is something that we can look into putting together for the Committee.

CHAIR NEAL:

Yeah, I think we did something like that, was it 2019 or 2021? I think where we were just doing a whole look.

MR. NAKAMOTO:

Madam Chair, I barely remember what I had for dinner last night, let alone what happened in 2019.

CHAIR NEAL:

Okay. We'll close Agenda Item IX and then we will move to Agenda Item X, which is public comment.

## X. PUBLIC COMMENT.

CHAIR NEAL:

I don't see, is there anyone here for public comment in Las Vegas? Is there anyone for public comment in Carson City? Seeing none, is there anyone online for public comment?

[LCB AVH STAFF]:

Chair, the public line is open and working, but we have no callers.

CHAIR NEAL:

We will go ahead and adjourn Interim Revenue.

## XI. ADJOURNMENT.

Chair Neal adjourned the meeting at 2:22 p.m.

Respectfully submitted,

_____
Christy Kaiser, Secretary

APPROVED:

_____
Senator Dina Neal, Chair

_____
Date