

# WORK SESSION

## Assembly Committee on Taxation

Date: May 7, 2015

PREPARED BY  
FISCAL ANALYSIS DIVISION  
LEGISLATIVE COUNSEL BUREAU

---

### Bills Under Consideration

The following measures may be considered for action during today's work session. In some cases, possible amendments are noted. These amendments were either suggested during testimony or submitted after the hearing and do not necessarily have the approval of the Committee.

- Senate Bill 170 (1<sup>st</sup> Reprint)** \_\_\_\_\_  
**Floor Assignment** \_\_\_\_\_

**Committee Action:**

**Do Pass** \_\_\_\_\_

**Amend & Do Pass** \_\_\_\_\_

**Other** \_\_\_\_\_

---

---

Assembly Committee on Taxation

This measure may be considered for action during today's work session.

May 7, 2015

**SENATE BILL 170 (1<sup>ST</sup> REPRINT)**

**Provides for a partial abatement of certain taxes for new or expanding data centers and related businesses in this State. (BDR 32-765)**

**Sponsored by: Senator Roberson et al.**

**Date Heard: April 14, 2015**

**Fiscal Impact: Effect on Local Government: May Have Fiscal Impact.**

**Effect on the State: Yes.**

**Summary**

Senate Bill 170 (1<sup>st</sup> Reprint) provides for the Office of Economic Development to grant a partial abatement of personal property taxes or sales and use taxes for up to 20 years for qualified new and existing data centers and any colocated businesses within a qualified data center, if the data center and the colocated businesses meet certain requirements as set forth in the bill.

The amount of the property tax abatement is limited to 75 percent of the personal property taxes imposed on property located at the data center. The amount of the sales and use tax abatement is equal to all sales and use taxes imposed in a political subdivision of this State, except the taxes imposed by the Sales and Use Tax Act (the state 2 percent rate).

Eligibility for a partial abatement for up to 10 years requires the following:

- 1) The data center, or any combination of the data center or one or more colocated businesses at the data center, must invest at least \$50,000,000 in capital assets at the data center within 5 years after the abatement becomes effective.
- 2) The data center must have 25 or more full-time employees on its payroll within 5 years after the abatement becomes effective and continue to employ those 25 employees until at least 10 years after the date the abatement becomes effective.
- 3) The average hourly wage that will be paid by the data center to its employees in Nevada must be at least 100 percent of the average statewide hourly wage.
- 4) The data center must provide a health insurance plan to all employees within 2 years after the abatement becomes effective.

Eligibility for a partial abatement for up to 20 years requires the following:

- 1) The data center, or any combination of the data center or one or more colocated businesses at the data center, must invest at least \$100,000,000 in capital assets at the data center within 5 years after the abatement becomes effective.
- 2) The data center must have 50 or more full-time employees on its payroll within 5 years after the abatement becomes effective and continue to employ those 50 employees until at least 10 years after the date the abatement becomes effective.
- 3) The average hourly wage that will be paid by the data center to its employees in Nevada must be at least 100 percent of the average statewide hourly wage.

- 4) The data center must provide a health insurance plan to all employees within 2 years after the abatement becomes effective.

Senate Bill 170 also removes provisions from existing abatements provided for data centers locating in certain economic development areas pursuant to NRS 274.310, NRS 274.320, and NRS 274.330, which were originally approved by the Legislature pursuant to Assembly Bill 1 of the 27<sup>th</sup> Special Session (2013).

### **Testimony**

Steve Hill, Executive Director, Governor's Office of Economic Development, provided introductory remarks and testified in support of Senate Bill 170.

Additional testimony in support of the bill was provided by the following individuals:

- Steve Polikalas, representing Unique Infrastructure Group
- Dean Nelson, Vice President of Global Foundation Services, eBay Inc.
- Randy Robison, representing CenturyLink, Inc.
- Pat Whitten, County Manager, Storey County
- Marshall McBride, Chairman, Board of Commissioners, Storey County

Testimony neutral to Senate Bill 170 was provided by the following individuals:

- Michael Hillerby, representing V5 Technologies, LLC
- Jeremy Aguero, Principal, Applied Analysis, on behalf of Switch
- Dagny Stapleton, Deputy Director, Nevada Association of Counties

### **Amendments**

Subsequent to the hearing, two amendments have been submitted to the bill, which are attached to this Work Session Document.

1. Mark Fiorentino, Kaempfer Crowell Law Firm, submitted an amendment on behalf of Cobalt Data Centers that would reduce the minimum requirements for applicants seeking a partial abatement of up to 10 years, as follows:
  - The number of required employees is reduced from 25 employees to 10 employees; and
  - The cumulative capital investment is reduced from \$50,000,000 to \$25,000,000.
2. Steve Hill, Executive Director, Governor's Office of Economic Development, submitted an amendment that would specify that in FY 2016, any abatements approved may not exceed the total of the state 2 percent sales and use tax rate and the Local School Support Tax rate. In FY 2017 and subsequent years, the abatements approved would be for all sales and use taxes except for the state 2 percent sales and use tax rate.

## 2015 NEVADA LEGISLATIVE SESSION

### PROPOSED AMENDMENT TO SB 170

**INTENT OF THE PROPOSED AMENDMENT: TO REDUCE THE MINIMUM REQUIREMENTS FOR APPLICANTS SEEKING A 10-YEAR ABATEMENT.**

**PROPOSED BY:** Mark Fiorentino  
Kaempfer Crowell Law Firm  
On behalf of Cobalt Data Centers

**CONTACT INFORMATION:** 702-528-7453  
mfiorentino@kcnvlaw.com

**COMMITTEE HEARING:** Assembly Commerce & Labor

---

**EXPLANATION:** Matter in (1) *blue bold italics* is new language in the original bill; (2) *green bold italic underlining* is new language proposed in this amendment; (3) ~~red strikethrough~~ is deleted language in the original bill.

---

Amend Section 1, Subsections 2(d)(1) and 2(d)(2) (at, page 3, lines 32-33 and 41) to read as follows:

(d) If the applicant is seeking a partial abatement for a period of not more than 10 years, the applicant meets the following requirements:

(1) The data center will, by not later than the date that is 5 years after the date on which the abatement becomes effective, have or have added ~~25~~ 10 or more full-time employees who will be employed at the data center and will continue to employ ~~25~~ 10 or more full-time employees at the data center until at least the date which is 10 years after the date on which the abatement becomes effective.

(2) Establishing or expanding the data center will require the data center or any combination of the data center and one or more collocated businesses to make, by not later than the date which is 5 years after the date on which the abatement becomes effective, a cumulative capital investment of at least ~~\$50,000,000~~ \$25,000,000 in this State in capital assets that will be used or located at the data center.

**Sec. 6.** Chapter 374 of NRS is hereby amended by adding  
13 thereto a new section to read as follows:

14 **1. A person who intends to locate or expand a data center in**  
15 **this State may, pursuant to section 1 of this act, apply to the Office**  
16 **of Economic Development for a partial abatement from the taxes**  
17 **imposed by this chapter on the gross receipts from the sale, and**  
18 **the storage, use or other consumption, of eligible machinery or**  
19 **equipment for use at a data center which has been approved for a**  
20 **partial abatement pursuant to section 1 of this act.**

21 **2. If an application for a partial abatement is approved:**

22 **(a) For an applicant seeking an abatement pursuant to**  
23 **paragraph (d) of subsection 2 of section 1 of this act, the data**  
24 **center and any colocated business is eligible for an abatement**  
25 **from the tax imposed by this chapter for a period of not more than**  
26 **10 years.**

27 **(b) For an applicant seeking an abatement pursuant to**  
28 **paragraph (e) of subsection 2 of section 1 of this act, the data**  
29 **center and any colocated business is eligible for an abatement**  
30 **from the tax imposed by this chapter for a period of not more than**  
31 **20 years.**

**Notwithstanding any other provision of law****this section, the Office of Economic**  
**Development shall not approve an abatement of the taxes imposed pursuant to chapter**  
**372 or 3744 of NRS, for Fiscal Year 2015-2016, or approve an abatement of the taxes**  
**imposed pursuant to chapter 372 for Fiscal Year 2016-2017 and subsequent fiscal years,**  
**which exceed the local sales and use taxes. As used in this subparagraph, "local sales**  
**and use taxes" means the taxes imposed on the gross receipts of any retailer from the**  
**sale of tangible personal property sold at retail, or stored, used or otherwise consumed,**  
**in the political subdivision in which the new or expanded business is located, except the**  
**taxes imposed by the Sales and Use Tax Act and the Local School Support Tax Law.**

32 **(c) The abatement must be administered and carried out in the**  
33 **manner set forth in section 1 of this act.**

34 **3. As used in this section:**

35 **(a) "Colocated business" has the meaning ascribed to it in**  
36 **section 1 of this act.**

37 **(b) "Data center" has the meaning ascribed to it in section 1 of**  
38 **this act.**

39 **(c) "Eligible machinery or equipment" means machinery or**  
40 **equipment for which a deduction is authorized pursuant to 26**  
41 **U.S.C. § 179. The term does not include buildings or the structural**  
42 **components of buildings.**

43 **Sec. 6.5.** NRS 374.358 is hereby amended to read as