

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-Eighth Session
February 12, 2015**

The Senate Committee on Revenue and Economic Development was called to order by Chair Michael Roberson at 3:45 p.m. on Thursday, February 12, 2015, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Michael Roberson, Chair
Senator Greg Brower, Vice Chair
Senator Joe P. Hardy
Senator Ben Kieckhefer
Senator Ruben J. Kihuen
Senator Aaron D. Ford
Senator Pat Spearman

GUEST LEGISLATORS PRESENT:

Senator David R. Parks, Senatorial District No. 7

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Bryan Fernley, Counsel
Jennifer Pearce, Committee Secretary

OTHERS PRESENT:

Blake Doerr, Chief Deputy Executive Director, Department of Taxation
Deonne E. Contine, Executive Director, Department of Taxation
Bryan Wachter, Retail Association of Nevada
Marcus Conklin, Reno-Sparks Indian Colony
Stacy Woodbury, Executive Director, Nevada State Medical Association

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Bryan Bedera, Nevada Vaping Association
Kendelle Innis, Consumer Advocates for Smoke-Free Alternatives Association
James Clippard
Tom Harmon, Sin City Vapor
Liz Maderos, Consumer Advocates for Smoke-free Alternatives Association
Ricardo Giron, Nevada Vapor Supply
Alfredo Alonso, Reynolds American
Samuel McMullen, Altria Group
Jamie Homampour, Blue Diamond Vapors
Kim Smith, Seven Vapor LLC
Michael Torsiollo, Vegas Vapor Emporium
Natasha Supancheck, Nevada Vapor
Jennifer Hemphill
James Caruso
Wayne Seidel, Motor Carrier Administrator, Department of Motor Vehicles
Paul Enos, CEO, Nevada Trucking Association
Jack Mallory, Southern Nevada Building and Construction Trades Council
Wes Henderson, Executive Director, Nevada League of Cities and Municipalities
Mike Cathcart, City of Henderson
Mary McElhone, City of Las Vegas
Lana Hammond, City of Henderson

Chair Roberson:

We are going to hear three bills today, starting with Senate Bill (S.B.) 79.

SENATE BILL 79: Provides for the regulation and taxation of liquid nicotine.
(BDR 32-307)

Blake Doerr (Chief Deputy Executive Director, Department of Taxation):

I am here to present S.B. 79, the liquid nicotine bill. Rather than going through every change, the overview would be that the existing law language states cigarettes and other tobacco products. The change in the bill is to add liquid nicotine and the definition of liquid nicotine in the same way that we saw “other tobacco products” (OTP), namely cigars, added some years ago. Liquid nicotine in e-cigarettes is replacing what the statute sought to tax. The change seeks to tax the substitute product.

Chair Roberson:

What is the policy rationale for this? There is no tobacco in the products that you are looking to tax, correct?

Mr. Doerr:

That is correct. We want to change the law—where it says we can tax other products made from tobacco—because there are no federal guidelines for labeling. We do not actually know whether the liquid nicotine is derived from a tobacco product or derived synthetically.

Chair Roberson:

Because you do not know, we are going to tax it?

Mr. Doerr:

If it were in fact derived from tobacco, it would be swept in the taxes ...

Chair Roberson:

If?

Mr. Doerr:

If it were derived from tobacco.

Chair Roberson:

What is the rationale for taxing? I want to understand the policy rationale. Everything I have read and heard about these vapors, or e-cigarettes, is that they are a safe alternative to cigarettes. It is assumed that it is good public policy to give Nevadans a safer alternative to cigarettes. Why would we discourage that safer alternative by taxing it?

Mr. Doerr:

We are here to talk about tax policy and not the other policy questions related to e-cigarettes. The statute could capture cigarette alternatives. If a person chooses to quit smoking, he or she may choose to use a different cigarette, a cigarette with lower nicotine. It is still captured in the tax. This liquid nicotine should also be captured by the tax. The policy underlying the tax is there with this new product; it is just in a new form.

Senator Kieckhefer:

The basis for taxing tobacco is what? I ask because tobacco is a nicotine delivery device. It is a method by which to get the drug to the people. We tax alcohol in various ways, whether it is beer, wine or spirits. We do not tax the beer; we are really after the alcohol in it. Is there a different nexus for tobacco than for alcohol?

Mr. Doerr:

I do not think so. The underlying policy on taxing tobacco was to generate revenue. Our laws are not in place for a deterrent effect. They are about generating revenue.

Chair Roberson:

Many Nevadans and Americans think it is wise public policy to discourage certain behaviors. I am not suggesting that we discourage them through tax policy, but I do think that many people agree with the policy that cigarettes are detrimental to one's health.

Senator Ford:

You mentioned that you do not know whether the nicotine is tobacco-derived or synthetic. Maybe you can give me some examples. What would fall within the synthetic category? It is my understanding that nicotine is obtainable in more than just tobacco, such as potatoes, tomatoes, eggplants, cauliflower and so on. What if the nicotine is derived from an eggplant? How does the tax policy deal with that particular distinction?

Mr. Doerr:

Nicotine used for smoking in whatever form it is derived from, either synthetic or some natural process, should be taxed. The original tax looked at tobacco and smoking products; this is just a new form of that.

Senator Ford:

If the e-cigs contain products not based on tobacco, then the OTP category is inherently insufficient. There would need to be a new category. Other untaxed products contain tobacco. What about a cessation device which has nicotine, such as the patch? Are they not taxed at the regular grocery level?

Mr. Doerr:

Cigarettes have sales tax on them, too. We refer to this tax as being a wholesale-level tax.

Senator Ford:

How do we determine the appropriate level for the tax on an e-cig?

Mr. Doerr:

That is for the Committee to decide. We felt the existing law meant to capture this product that is taking the place of the original cigarette—in the similar way cigars once did. We do not necessarily feel the same way about a nicotine patch, even though the purpose behind it is to replace the nicotine originally received through smoking a cigarette.

Senator Ford:

The issue is that no determination has been made by the U.S. Food and Drug Administration (FDA) and others as to whether this is more comparable to the patch, a cessation device or as a cigarette replacement. If it replaces a cigarette, is it tantamount to a cigarette? If it is a cigarette, it should be taxed like a cigarette. A lot of discussion needs to take place as to how we classify an e-cig, what its purpose is and whether we should set policy toward e-cigs to get people off nicotine. This is more convoluted at first blush than someone would imagine.

Mr. Doerr:

Let me just reiterate, we are only here about the tax policy and the tax component. Other components, such as the public health policy, are behind it. We are not public health regulators; we are tax collectors. We are here for the tax policy. There may be a larger question. We could come back and talk to other people at your convenience and request.

Senator Ford:

I understand why you are here. This is intimately related to that. You are looking to classify e-cigs and liquid nicotine, for all intents and purposes, as OTP. We cannot determine if it is in fact OTP. Are you not also attempting to tax it at the wholesale level? These questions are integral to this discussion as to how we are supposed to treat it and how we are supposed to tax it.

Senator Hardy:

It is a given that nicotine is bad for you. I realize your interest is the tax.

E-cigarettes can be used for initiating a habit or quitting a habit. The disadvantage of a cigarette is twofold: it is an addiction and a habit. That is one of the reasons why it is hard to quit. That may be one of the reasons why we tax it, not necessarily for the opportunity to get money, but to discourage people from smoking. Smoking combustible materials is not good. Two things are wrong, the combustibility and the nicotine. Nicotine in and of itself is not good. Do we tax to meet the health detriment that happens with the nicotine? What are we doing? Are we treating it like a nicotine patch or nicotine gum? Do we encourage smokers to quit smoking with the use of an e-cigarette, or the patch or the gum?

As opposed to initiating the process and providing another way out, it is another way out. Is it safer? That study has not been done, so we do not know that. We are in uncharted territory. What are we putting in the e-cigarette? Is it closed or open? Who is doing this? Who is filling it up on the corner store? A lot of issues are different from a patch that comes manufactured, and one knows what the concentration is made of. I do not see that with this e-cigarette. I do not see a let-us-get-you-off-this-in-6-months attitude. You can do this in your long life or in your shortened life, whatever the case may be. I do not know which one is which on this issue.

Senator Kieckhefer:

I always go back to the budget. What is your revenue estimate?

Deonne E. Contine (Executive Director, Department of Taxation):

It is like a lot of things that we do not tax. It is difficult to determine a market for which we do not have information. We have been pulling data and having conversations with the Senate staff to determine different ways to go about this. We do not have accurate projections. In some cases, these products are sold in places that sell different products, and we can make assumptions. It is a process of narrowing it down and carving out what it would be. Within the Department, we do not generally project revenue for something like this. We have been thinking it through and working with your staff. We will continue to do that as this process evolves.

Mr. Doerr:

In the past 5 fiscal years, we have seen cigarette tax revenue drop by about \$2 million a year. It is still at \$100 million but down from \$120 million 5 years ago. Though that may be reflective of this market, we do not know, because we do not gather information on what retailers sell. We look at what they sell and then tax on that.

Ms. Contine:

When looking at this, taking considerations into play and weighing what Dr. Hardy addressed, I had conversations with some who have said there is tobacco in it or it is derived from tobacco or the liquid nicotine is derived from tobacco. I have heard other people say there is no tobacco in it. From our standpoint, some might say you already have the other tobacco products definition which says any product derived from tobacco, so why are we not taxing these already? This is not clear to us since it is an evolving product.

To create some parity with other products used similarly, cigarettes or cigars or other tobacco products is just to say this is similar to the other products. We want you to be aware—there is some room for argument. We would be in litigation if we said your e-cigarettes are derived from tobacco. A dispute would likely occur with a taxpayer because it is a new product and our statutes are written a certain way. We see it as an evolving product or a new product that is similar to cigarettes or other tobacco products. Notwithstanding, some people might use it as a way not to smoke cigarettes. This is unclear, and please, give us some guidance.

Senator Ford:

I have never bought an e-cig. Do retailers charge sales tax on e-cigs? Do they pay sales tax?

Mr. Doerr:

It would be tangible, personal property and would be taxable.

Senator Ford:

So it is already taxed? The question is: Do we want to tax it more? How do other states deal with this e-cig tax issue? On what level do they tax it?

Mr. Doerr:

Two states tax it other than by sales tax. One state's tax is really more than what we are seeking to tax. If e-cigarettes are lumped in with paraphernalia, that is subject to the wholesale tax as well. That takes place in Minnesota. The other state is North Carolina. If you look at tax rates for cigarettes and other tobacco products, you will see lower rates in the Southern states, the tobacco states. North Carolina taxes the consumer product before it is sold to the customer and waits until the end of the chain. The local shops take a liquid form of the nicotine and other products and mix special batches. They then sell the product in their own special bottles. North Carolina taxes the ultimate product, right before it is purchased by the consumer.

Senator Spearman:

My colleague, Senator Hardy, made remarks as to whether it is open or closed and who is making it. Senator Ford asked of what is the nicotine a derivative. This is not a question but more of a comment. We do not know exactly how to classify an e-cigarette's nicotine and whether it is an OTP or something else. This discussion may be a little premature. If the intent is to capture revenue from something that looks like it might qualify, then perhaps we want to consider a different tier so we do not penalize or tax something other than what it is.

My concern is for the people mixing their own batches and their level of training. Should there be training involved? Should other steps take place from a public health policy standpoint, so we are looking at consumer protection, not just revenue generation?

Chair Roberson:

Thank you, Senator Spearman. You captured my sentiments on this and are right on the money.

Mr. Doerr:

We are here about a tax on a product that looked like something we should have been taxing. We had questions as to why we were not taxing liquid nicotine. We are happy to collect it if it is the will of the Committee. If it is not the will of the Committee, there are many other taxes to collect. To be clear, regarding the larger question of the health policy, we are not the entity that does that. We are happy to be part of conversation with a larger group. If the

product were under the OTP category, then it would be captured. Regarding the training, others may testify today who might answer some of these questions.

Senator Spearman:

We need to have this discussion. I would hate for us to do something prematurely when we have not had a chance to analyze all the data, collect all the information and gather all the stakeholders at the table to discuss it. I do not want us to act prematurely.

Senator Hardy:

This is not being marketed as a cessation device, this is marketed to keep customers buying. It is supposed to keep the customer smoking or vaping. The rate you are proposing is 30 percent of the wholesale, is that correct?

Mr. Doerr:

Correct.

Senator Hardy:

The federal government does things with cigarettes. What are the feds doing? What are they doing with e-cigarettes?

Mr. Doerr:

Nothing that I am aware of.

Senator Hardy:

Are they controlling stamps? Or anything like that?

Mr. Doerr:

I understand that the FDA is doing something about it. There is no consistent labeling of the product. If we were to do an audit, the taxpayers would say we do not know where the nicotine is from. I do not know how we can expect a taxpayer to collect or assess the tax. This is the purpose of adding a definition to include that.

Senator Hardy:

Realistically, if you did anything with e-cigarettes, that is the safety factor and it costs money. You would tax it in order to regulate nicotine and the safety of the little shops that have people doing things—and we do not know what they are putting in the e-cigarettes. It becomes a little public health issue, not just in the

vaping of the product, but what is in it and what people put in the product to flavor it and make it look good. Somebody needs to follow that medicine caravan and find out what goes in the product. We want to know the public health considerations if there is any rationale to tax. If it comes as a closed system from the pharmacy, it is much like the nicotine product that you can buy to get off nicotine. This is not designed for cessation. This is designed to continue smoking, vaping and addicting to the same habit. That is my opinion.

Chair Roberson:

The U.S. Food and Drug Administration is conducting research. It is a fairly new product and FDA researchers are in the process of researching it. My concern, from a public policy standpoint, is the safety of these products. It is different from my perspective that we need to tax them. That we do not know what is in the products is a real concern—they are being sold, and consumers do not really know what they are ingesting. This bill does not address that.

Mr. Doerr:

It absolutely does not. This is about the tax. I would suggest that the science on nicotine is out there. We are not here to advocate health policy or public policy. This is about our mission to collect the tax due in Nevada. We were asked how to capture something that takes the place of something we already tax.

Chair Roberson:

Some of us on this panel question whether this should be taxed. It is premature to determine that.

Bryan Wachter (Retail Association of Nevada):

I want to read a couple of quotes from the FDA. The FDA is concerned about the potential for addiction to and abuse of these products. The FDA does not want the public to perceive these products as safe alternatives to cigarettes. The chief medical officer of the American Lung Association says these are nicotine delivery devices intended to be used like cigarettes. Craig Youngblood, who is the president of an e-cigarette company, says that the products are electronic alternative-smoking devices that simulate the sensation of smoking. He also goes into depth to say they are not cessation devices, but they are purely marketed for the intent to replace cigarettes, pipes, cigars or any other types of tobacco products.

It is important that, while we have moved into an age where technology is rapidly advancing and seen in all sectors of the economy, our statutes and laws must reflect the change in technology. In our original tobacco laws, there was no reason to anticipate this ability to turn liquid nicotine into a vapor and smoke it. The State will need to have a plan of action to update our statutes to reflect this change in technology.

Chair Roberson:

Mr. Wachter, can you please repeat the quote from the FDA?

Mr. Wachter:

Certainly. The FDA is concerned about the potential for addiction to and abuse of these products. We do not want the public to perceive them as a safer alternative to cigarettes. That was reported by Rita Chappelle, the FDA spokeswoman.

Chair Roberson:

The FDA is still studying that and has not come to any conclusions?

Mr. Wachter:

The FDA has come to the conclusion that when these products include nicotine, there is no other way than to view them as substitutes of cigarettes.

Chair Roberson:

I want to push back on that. I am not the doctor on the panel, but there is a difference between cigarettes, tobacco, tar and chemicals in cigarettes versus nicotine. I have not heard anyone argue that e-cigarettes pose the same level of danger to someone's health. We have nicotine versus a cigarette and all the things in a cigarette in addition to the nicotine. I hear people argue over caffeine. There are different opinions on nicotine. Nicotine may not be good for you, but is anyone arguing it is at the same level as a full-fledged cigarette, knowing all the ingredients in a cigarette are worse?

Mr. Wachter:

When it comes to a health discussion, we are looking at two different issues. As a State policy, these products are being marketed, advertised and pushed as substitutes for cigarettes, whether they have the same health concerns or not. Our tax laws, our statutes, need to reflect that the products are interchangeable in terms in how they are viewed and processed by the public.

Chair Roberson:

I do not understand that. If one turns out to be safer than the other and by doing one, you are doing less of the other, how is that worse for your health?

Mr. Wachter:

I cannot answer the question on health. We view this as a tax policy. This product acts—and is marketed and advertised—as an alternative to cigarettes. We believe the product should be taxed the same.

Senator Ford:

I do not know if this is a question. I went to the FDA's Website, because you mentioned it. It says only those e-cigarettes marketed for therapeutic purposes are regulated by the FDA Center for Drug Evaluation and Research. I am not sure what therapeutic means, Doctor, but might that mean cessation? It also says that the FDA has issued a proposed rule that would extend the agency's tobacco authority to cover additional products that meet the legal definition of tobacco, such as e-cigarettes. There is some FDA conversation around categorizing e-cigarettes as under the regulatory authority of the FDA.

Pursuant to the previous conversation about the health-based issues, the FDA report talks about a lot of adverse events that have been reported: pneumonia, congestive heart failure, disorientation, seizures, hypertension and other health problems. I am speaking to Dr. Hardy's position about effects and whether we want to convince folks not to engage by taxing these products, because that is something I heard Dr. Hardy say. Those are important topics for this conversation. I do not know where it leaves us in terms of taxation, however. I have not had enough time to amalgamate that in my mind and synthesize it to see where it needs to fit pursuant to a tax policy. I would love to hear a response if you have anything to offer in that regard.

Mr. Wachter:

I heard from Craig Youngblood, who owns an electronic vaping company. He says, to add to the FDA conversation, this company makes no health claims. He rejects the idea that this product is a smoking cessation device and says his company does not make that claim. He also believes that the product should not be sold to minors and should be subject to the same statutes as other tobacco products. Health claims are a separate conversation. These products are intended to be used as other tobacco products. Our tax laws should reflect that.

Chair Roberson:

That is a separate issue—what perimeters should be put upon this product until we know more about it, who can purchase it and who cannot. For the record, I am not disagreeing with your position on this. I am in the same position as Senator Ford and others on this Committee. We are trying to learn about this.

Senator Hardy:

Nobody knows the answer, that is the bottom line. If we look at something that is less offensive than a combustible material in your lungs, that does not get rid of the vasoactive irritated action on blood vessels. If you have a vasoactive component, such as nicotine, you know you can have problems with constriction of blood vessels. The people who have Raynaud's or Buerger's disease have a vasoactive component. We know nicotine has a negative impact on a person's health. If it does not have as much a negative impact as a combustible, then we should tax it 50 percent off the wholesale instead of 30 percent off the wholesale—or whatever gives the message that this is not a safe product, not designed to be a safe product, not to be designed a cigarette. But it certainly simulates one, could be used as one and may not be as irritating to everyone around you on the plane, as it were. Southwest does say no to e-cigarettes. So some secondhand vapor is also involved, yet nobody knows the answers to our questions.

Senator Spearman:

The previous comments from my colleagues punctuate what I said earlier. All the effects that Senator Ford read appear parallel to those that the Surgeon General warns about cigarettes. We do not know the answer. This legislation was probably a progenitor of a larger discussion either in the Health and Human Services or Commerce, Labor and Energy Committees. My concern is this: if this is existing and people are allowed to put other substances in the vapor, the larger issue is public health policy. Perhaps we might take a step back and say this legislation has opened our eyes to a larger and possibly different discussion, one that we should nevertheless have. Erring on the side of positivity, all of this is good, but it may be premature. As Dr. Hardy said, we do not know. We probably need to know.

Marcus Conklin (Reno-Sparks Indian Colony):

We support the bill.

Stacy Woodbury (Executive Director, Nevada State Medical Association):

We have had many discussions in our public health area about e-cigarettes and have been following the FDA debates on this issue. We believe there is enough evidence from the Surgeon General about the effects of nicotine on the body from a public health perspective that the tax policy should be imposed as the correct intervention and the tax code adopted with other tobacco products.

Chair Roberson:

Can you provide us any documentation that forms the basis for that opinion?

Ms. Woodbury:

I can provide you with a copy of the 50-year report the U.S. Surgeon General issued last year that shows that 20 million people have died or died prematurely in the last 50 years through the effects of nicotine on the body.

Chair Roberson:

Is it nicotine or cigarettes?

Ms. Woodbury:

Nicotine.

Chair Roberson:

The Committee would like to see that report.

Ms. Woodbury:

Okay.

Senator Hardy:

Wikipedia refers to the lethal dose of nicotine, which is between 500 to 1,000 milligrams—about 40 to 60 milligrams is the total amount of two cigarettes. An adult who eats a cigarette or a child who ingests one cigarette can become severely ill. Differentiating between a cigarette and the nicotine alone is difficult. I do not know whether we have information on liquid nicotine and who can get it. If a kid gets liquid nicotine or if you try to kill someone with liquid nicotine, it works.

Bryan Bedera (Nevada Vaping Association):

We are the trade association for the production of liquid nicotine products, distribution and sales in Nevada. We represent 40 members across the State

and employ approximately 2,000 people on the manufacturing and retail sides. We were going to talk about the health issues, but the Committee has fully covered that. I want to focus on the economic side.

Unlike other tobacco products, this product is produced, manufactured and distributed locally. Classifying this as an other tobacco product would have a greater effect on our economy than classifying the other things that are categorized as other tobacco products. It could be subject to the tax. That means on one little bottle of liquid nicotine or a vaping liquid we could see a tax as high as \$2 to \$3, three times what we tax cigarettes. The economic impact of this tax could be massive in terms of lost jobs and hurting the local portion of the manufacture of this product.

Senator Ford:

I am not too convinced with that argument. I am inclined to give it more study. I am also inclined to believe what I have been reading that the e-cigs have horrendous health detriments. Think of a number between sales tax and wholesale that would be appropriate in the Association's view from a tax perspective—assuming we want to go that route.

Mr. Bedera:

We do not have a number that makes sense. We have had a discussion, but we do not have a number. We are still a young association, and it takes longer to respond than it would for a more mature organization.

Senator Spearman:

You said that the product is produced, manufactured and distributed locally. Are the people who are producing or mixing it trained or licensed? If so, what type of training do they have?

Mr. Bedera:

There is no State requirement regarding any training. Most of our members have received limited training from management at their companies related to safe levels of nicotine. They often use predefined recipes for the product. One of the challenges of this product is that there is no statutory requirement of training—it would be like training someone to bake bread. Therefore, there will be a mix of what is out there.

Senator Spearman:

With one exception—I am not sure that bread constricts the blood vessels. I am not trying to be facetious. There might be predetermined mixes, but I am still concerned about the public health part of it. Any time someone is doing something medicinally or therapeutically, it usually requires being under the auspices of someone who is licensed or trained in that field. What type of medical training or alchemist training has there been? What does that have to do with how it is made? That is my concern at this point.

Mr. Bedera:

The key to understand this is the health consequences of this product. The FDA has not made the determination whether there should be training required, like there would be for any other pharmaceutical, or whether the products should be classified as cigarettes, which requires no training to produce. We do not know the answers. The FDA is working on this. The FDA has not come to a conclusion yet. We need to give the FDA time to come to a conclusion.

Senator Kieckhefer:

Where do your members acquire the nicotine?

Mr. Bedera:

It is produced in a lab and shipped in a pure form.

Senator Kieckhefer:

It is a synthetic?

Mr. Bedera:

It is a combination of both. Once nicotine is in its chemical form as liquid nicotine, the manufacturers do not disclose where that is coming from.

Senator Kieckhefer:

Do you see that as a problem?

Mr. Bedera:

I do not have an answer for that.

Senator Kihuen:

You mentioned that there would be job loss. Approximately how many people are hired for this industry and what is the average salary for one of those positions?

Mr. Bedera:

I cannot speak about the average salary, but I will get back to the Committee on that. I would say approximately 1,000 to 2,000 jobs are supported in Nevada in this industry.

Senator Kihuen:

Are these full-time jobs or part-time jobs?

Mr. Bedera:

The vast majority are full-time. Our members participated in a survey of employee count, employee benefits, etc. The vast majority have health care, retirement and full-time employment. I do not have the average salary, but I can get it for you.

Kendelle Innis (Consumer Advocates for Smoke-Free Alternatives Association):

Craig Youngblood said that his product is not marketed as a smoking cessation product. However, his is the only company I found that has actually come out and said that this is a smoking cessation product. I know from my own experience for my family and myself. I quit smoking. I smoked a pack and a half a day for 5 years. We do not know about the health benefits or the health consequences. It should not be taxed until we have the studies and can prove that this is a cigarette issue or this is derived from a tobacco product. Nothing says it is, and nothing says it is not.

The definition for other tobacco products states any product made from tobacco. Liquid nicotine is not derived from tobacco. I do not know of any squeezing method that produces nicotine from tobacco.

Chair Roberson:

That brings up an interesting point because others have said that it is derived from tobacco. I would like you to elaborate on that, please.

Ms. Innis:

Nicotine is already present in tobacco. Liquid nicotine is a chemical compound. It is not something that can be squeezed from tobacco and it just comes out in a liquid form. It is synthetic; it is created.

Senator Hardy:

I would love more information on how you get nicotine out of tobacco products. I suspect there are some chemical means that one extracts from the tobacco plant, much like one extracts a chemical in chemical ways, so the word squeeze is cute, but that is not how we work when we extract things from plants.

Ms. Innis:

I was just using squeeze as a general idea.

Senator Ford:

You need to do more research for us.

Ms. Innis:

I can do that. Given the mass amounts of liquid nicotine being sold and bought, so much of it is being produced and coming out that the little amount of nicotine from tobacco is not enough to keep up with businesses today.

With regard to the 30 percent wholesale tax, it would raise the prices significantly and impact the work force.

James Clippard:

I am here to advocate against the bill. I am representing myself. This is my story. I smoked my first cigarette at the age of 16. I smoked for 7 years. As a result of my smoking, I felt lethargic, could not taste food—all the bad things that come with cigarettes. In addition, last year my father passed away. Several decades ago, my grandparents and their parents, lots of my family have passed away prematurely, all due to smoking. I hope to avoid premature death by not smoking. I have achieved that through vaping and electronic cigarettes. I vape the e-liquid that has no nicotine in it. I feel that classifying all e-liquid as other tobacco products because it has nicotine would be unfair.

Chair Roberson:

You make an interesting point. You are asserting that some of these e-cigarettes have nicotine and others do not?

Mr. Clippard:

That is correct.

Chair Roberson:

Let us go to Las Vegas.

Tom Harmon (Sin City Vapor):

I am an e-cig shop owner in Las Vegas. My personal story is I smoked for 46 years. I was not looking to quit. I had given up on the idea. A friend at a party put an e-cig in my hand. I thought, close enough. I googled it, researched it and then bought my first kit. In 14 days, I no longer smoked cigarettes. October 9, 2009, was the last time I smoked a cigarette. We cannot call it a smoking cessation device, but that is in fact what happens—we are pretending to smoke. We mimic smoking using the vaporizer.

I set up a table at a swap meet and starting selling electronic cigarettes. That shop grew and I now have four shops in town. I employ 16 people. It is not a higher-profit margin job because competition is fierce. There are many shops in Las Vegas now. Back when I started, I was one of the only guys in town. The economic impact of an additional tax would mean loss of jobs. To answer the question what are these jobs paying, I cannot speak for other shops. For my shop, my lowest part-time person makes \$19 an hour, plus meals, plus health insurance. Whether you work part time or full time, I subsidize your health insurance. My top people make \$30 an hour.

These are definitely good, high-paying jobs. An additional tax would mean that I would have to pull some of that back. When you give something to your people who helped you get you where you are, the last thing you want to do is pull something back.

We pay a lot in sales taxes. In 2014, my business paid \$150,000 in sales taxes. That does not include all the unemployment tax, payroll taxes and so on. As for an additional tax that would raise our prices, either we have to pass that on to the consumer and lose our competitive edge to out-of-state companies selling on the Internet, or we have to reduce benefits or start laying people off. Not all shops are necessarily in a profit mode already. If you throw another tax on them, it will make sure that they close their doors.

There has been a lot of discussion with potential health benefits and risks of the e-cigs. I can only speak anecdotally, since my doctor says he wishes he were as healthy as I am. My blood pressure is good; my cholesterol is good. Everything is functioning great. If there is something detrimental, it is certainly on a scale considerably less than smoking cigarettes.

I am sure the doctor on the Committee would agree that when you combust something, you produce something far more than just the nicotine that comes with a cigarette. Whereas with vaporization or chewing the gum or wearing the patch, it is just nicotine. I am against an additional owner's tax. I understand the Department of Taxation has 5 years of lost revenue. I would point out that maybe that is because people are not smoking. They are vaping instead.

Senator Hardy:

With nicotine you usually have to have a delivery system that includes water and glycerol. Glycerol, when heated, gives off a byproduct that has its own challenges. Is that not correct?

Mr. Harmon:

Only at levels far below where it is considered harmful. If you go to a study by the Drexel University School of Public Health, you will find quite a bit of detail on that. I am not a chemist. Go to that study and read it. Glycerol is at a level far below what would produce harmful effects. If I drive a car without a seatbelt, I am taking more risk. With a seatbelt on, I have reduced the potential harm in driving. I have not reduced the possibility of crashing, but I have reduced the risk of harm that comes with that. When you take something like a cigarette and set it on fire, it produces thousands of chemicals. Many of them are carcinogenic and have nothing to do with the nicotine. Compared to a glycerol aerosol, they are not even in the same world, according to the Drexel University School of Public Health.

Senator Hardy:

I recognize that glycerol is not nothing. It does exist in these products, unless you know otherwise.

Mr. Harmon:

All of the e-liquid that I have seen has four basic ingredients: propylene glycol, vegetable glycerin, food flavoring and a little bit of nicotine, far less than a regular cigarette.

Senator Kihuen:

If this bill passes, how many people will you have to lay off?

Mr. Harmon:

Tough to call. First I would reduce the employee benefits to see if we can stay competitive. If you raise the consumer's prices, then customers get the product cheaper online in view of the convenience of just stopping in and getting their favorite flavors. Do I take away the employees' health insurance or take away their meals? At what point do I have to start laying off? I think I would start with the part-timers. What happens to customer service when there is only one employee in the shop? When you have a citizen making \$50,000 a year, that citizen is participating in our economy. The employees are buying houses; they are raising families; they are doing all the nice things that we like our citizens to do. If we take jobs away, they now just become dependent upon the State. I would suggest that whatever gain is made to tax the revenue would be our loss on the other side to pay unemployment benefits and food stamps. Each of the employees I hired was unemployed at the time of hire.

Senator Kihuen:

Do your employees have to go through training or certification in order to sell the product?

Mr. Harmon:

No, there is no certification. It is not that complicated. We buy our ingredients that are made in labs by people who know what they are doing. They label them. We blend a product for a customer. We are keeping things sanitary: we wear masks, we wear rubber gloves and there is a recipe. In an e-cig, you find very little nicotine, much less than the amount a cigarette contains and much less than a nicotine patch. Many of our customers use this device to wean themselves off smoking and nicotine completely. As the one gentleman has mentioned, he weaned himself to zero nicotine. Why would you raise prices or make business more difficult when he is no longer contributing to the cost of public health by being a nonsmoker?

Liz Maderos (Consumer Advocates for Smoke-free Alternatives Association):

I smoked for 30 years. I loved smoking. I still love to smoke. There is nothing like a cigarette. I decided to try vaping because I was getting short of breath and at some point it would catch up to me and I would end up in a hospital. I saw vaping, researched it online and started using the e-cigarette. It took me

about a year. I could go at my own pace. I went from two packs a day to one pack a day to two cigarettes a day. Two cigarettes a day versus 40. Then after a year, I quit totally. I do still vape as we like to call it.

I was surprised at how knowledgeable the Committee is. The FDA would not call it a cessation device. I can call it whatever I want. I know the propane delivery lady quit smoking with it. Nicotine all by itself is not all that addictive. Cigarettes are addictive. I have noticed that I do not need to smoke as much. There are zero levels of nicotine. How is that taxed as a tobacco product?

There is already sales tax. Do not let people, family members, die because they do not have a label. It does not matter if it is a cessation device or a tobacco product. It is probably 99 percent healthier than smoking a cigarette. What if it is 75 percent healthier? We are talking lives here. That is the point. What if I got lung cancer due to smoking. How is my husband going to feel? This is really more of a personal issue, and there is science to be built up to show how much safer it really is. This is the same stuff that is in the asthma inhaler, propylene glycol and vegetable glycerin. Nicotine is 99.9 percent pure. It is made by people like Johnson & Johnson. This is the same place that makes nicotine patches. It comes from reputable companies that also supply nicotine for Nicoderm and different patches.

Ricardo Giron (Nevada Vapor Supply):

I am in support of this bill. Please indulge me as I have my written testimony ([Exhibit C](#)) here to read for you.

Alfredo Alonso (Reynolds American):

From a policy standpoint, if you tax this product, how do you tax it? Do you tax it with respect to the amount of risk? There are many discussions in terms of the actual harm reduction. We believe it is in the 90 percent range. There are health risks to any nicotine product; when deciding what a tax would look like, we would hope that risk is a factor. The FDA is researching this and will define nicotine and set a standard.

We would certainly be supportive of any ban on anyone under the age of 18 making that purchase. That is critically important. The other issue is closed versus open system and how you deal with that going forward. Is there training or certification? How do you make sure this is a safe product when purchased from a vape shop or anywhere else for that matter?

Chair Roberson:

Could you clarify who you are representing today?

Mr. Alonso:

Reynolds American.

Chair Roberson:

Does Reynolds American produce vaping products?

Mr. Alonso:

Yes, we do. We produce a closed system.

Senator Hardy:

Where do Reynolds' employees get the nicotine? Do they squeeze it?

Mr. Alonso:

As far as I know, it is derived or squeezed from tobacco.

Senator Hardy:

It is extracted. Do they do it themselves? On site?

Mr. Alonso:

I do not believe that Reynolds American does that. We have a lab that produces it for us.

Finally, it was previously discussed how other states are handling this. North Carolina is charging a 45-cent tax for combustibles, 5 cents for noncombustibles. The State looked at this from a risk standpoint. Obviously, Southern states differ from those in the West.

Senator Spearman:

Can you explain the difference between an open and closed system?

Mr. Alonso:

A closed system is like what Reynolds and other companies make, basically a tamper-proof system. A chip has to mimic whatever cylinder you put into the system. It has to read it or it will not operate. Open system means it could be premixed or ingredients can be added. Some people even add things that do not

even contain nicotine. It is a myriad of ingredients, but that is basically the difference.

Senator Hardy:

Did I just hear that you would offer an amendment to partial taxation? As in North Carolina?

Mr. Alonso:

No. I am not following what others have done. There are states that do not want to tax at all. There are states that want to ban it. You have a product that is clearly safer than a combustible and therefore offers less risk—not no risk, but less risk. Tax it accordingly if you decide to tax it.

Senator Ford:

What would a fair number be between sales tax and wholesale tax for e-cigs in our State—if we get to that point.

Samuel McMullen (Altria Group):

The thing that ought to be emphasized is that at Altria, the manufacturing is done with all of the integrity and product quality that a large manufacturer can bring. The cartridge that is produced has a standard, calibrated dose all the way through. It is a much different product from what is made pursuant to a menu or a recipe.

Various products are delivered differently. At the risk of trying to extract a tax rate out of me, I would say the sales tax rate or close to it. The Committee clearly has the issue. It comes to whether there is a health differential and whether you want to incent that or penalize it with tax policy. There are so many issues to grapple with.

Jamie Homampour (Blue Diamond Vapors):

I am the owner of Blue Diamond Vapors in Las Vegas. My store is actually in Senator Ford's district. I want to talk about the specifics of my business and how this tax would impact me. If I were to have a 30 percent wholesale tax in addition to the sales tax, increasing the price of my product by 30 percent, would greatly affect my business. I only employ four people.

Unfortunately, my business opened at a time when 100 vapor stores were in the Las Vegas area. What that means competitively is that within a mile of my

shop, there are about seven other vape shops. I do not take in thousands of dollars in revenue a day in my brick-and-mortar store. In fact, when one of my employees hits \$1,000 in revenue, there is a huge celebration on our Facebook page. If we were to have an increase around 30 percent on our product ... Retail studies show when taxes are raised by 10 percent, revenue loses 5 percent in sales.

Prior to opening Blue Diamond Vapors, I was the owner of the Tan Factory in Las Vegas where at one point we had 22 tanning salons. We were impacted by a 10 percent flat tax that translated to a massive loss in revenue across the board in that industry and was ultimately one of the factors that caused me to sell that business and exit from the tanning industry.

My concern with a reduction in sales is if we had a 15 percent reduction in our overall revenue, we would lose between \$3,000 and \$6,000 per month, which is the monthly profit of our business. If you were to come into my store, I could show the inventory levels and management practices, and you would find that I run my business pretty lean. That is because I have had 10 years of operating a multiunit business. I know what it takes to stock orders. I can tell you with complete confidence that if I were to lose 15 percent in gross revenue sales, the only place for me to save that money is in payroll. Most of my employees will land anywhere between \$13 and \$14 an hour, when you look at some of their benefits. We offer health benefits. I have one part-time associate and three full-time associates working for me. That is the place where those savings are going to come from.

Chair Roberson:

We go to public comment on this bill. Please limit testimony to 3 minutes.

Kim Smith (Seven Vapor, LLC):

I was a vaper before I was a business owner. Before I was introduced to vaping, I was an avid smoker, smoking close to a pack a day, not only putting my own health and life at risk, but everyone around me as well. My addiction to cigarettes did not allow me to see that I was putting others at risk until one of the scariest days in my life as a parent. One day my baby was not feeling well, lethargic and listless. My husband was away with the military, and I had to get to work or I would lose my job. I called the sitter. Things got worse and fast with my baby. He could not keep anything down, was not responding and could

not stay awake. I left work and rushed him to the hospital. During the ride to the hospital, I was trying to keep him awake by smacking his leg.

I threw my car into park in the ambulance lane. When I got inside, my baby went limp in my arms. The doctors and nurses came to my aid. After hours of tests, no one could tell me what was wrong with him. The doctors wanted to keep him overnight for observation. Someone from Red Cross came to see me to get information about my husband. I was excited that my husband was coming home, not thinking it unusual. An oncologist suspected my son had leukemia. I felt the world was crumbling around me; I learned that secondhand smoke is one of the leading causes of leukemia in small children. The reason my son was so sick was due to my cigarette habit.

It turned out that he had a severe viral infection and his lab work for leukemia came back clear. His immune system had been attacked by the viral infection. It could have been much worse. That was it. The quest to quit smoking began for me. The nicotine patch made me dizzy. Chantix was the worst: hallucinations, bad dreams, mood swings, depression and suicidal thoughts. Then a friend introduced me to a local vape shop that blends all of their liquids in house with FDA-approved, U.S. Department of Agriculture food-grade ingredients and pharmaceutical-grade nicotine in a sterile and controlled mixing environment.

Within a matter of 3 days, I was completely off cigarettes. I could not be around smokers without feeling nauseous. I could not even vape on my tobacco- or cigarette-flavored liquids without feeling ill from the taste and smell. Since I stopped smoking cigarettes, I have had an increased amount of energy and stamina. I can breathe better. My eyesight is better, and I can think more clearly. Today I am nicotine-free. I still use vaping only to satisfy my habit of smoking while staying away from cigarettes.

My biggest fear is that this tax will put thousands of people out of work and the economy will take a serious hit, not to mention an increased risk of unsafe products being sold on the black market by nonreputable companies. As a consumer and business owner, I am one of the real stakeholders here. What is being proposed will hurt me, my family, the industry and our economy. I am also concerned that despite the fact consumers are the primary stakeholders and this proposed tax will leave devastating consequences on them, there appears to be no consideration given to the impact on the proposed regulation. Taxing liquid nicotine will discourage smokers from using vaping as an

alternative to tobacco. The risk of cancer will be back on the rise. Please reconsider this proposed tax on liquid nicotine for consumers, business owners, the employed and the healthier Nevada.

Michael Torsiollo (Vegas Vapor Emporium):

If this reduces the use of tobacco products, which are deadly, it will create a situation where people end up in the hospital with big bills that they cannot pay. Eventually hospitals write off the bills, and the rest of us pay for it in taxes and so forth. This could be a huge impact on the economy.

Natasha Supancheck (Nevada Vapor):

I am the former director of operations of one of the largest e-liquid manufacturing companies in the United States. I can answer a few questions regarding the manufacturing practices and the training that takes place. I can answer where the e-liquid comes from. It is manufactured in a clean room with stainless steel tables using calibrated equipment. There are charts, which all employees are trained to use. The ingredients are not a mystery: vegetable glycerin, propylene glycol, optionally nicotine—it can be zero—and food flavoring. The e-liquid comes certified by the independent American E-Liquid Manufacturing Standards Association. Standards are in place to make sure the e-liquid is manufactured in a correct way. Independent labs confirm that there is nothing dangerous in the e-liquid.

We support regulation and feel that all e-liquid manufacturing standards from other companies should be similar to ours. Contrary to what Dr. Hardy said, there have been numerous studies on vaping. It is often said we do not know what is in this and no studies have been done. That is incorrect. Studies are being done. There is no evidence of secondhand vaping. Little to no toxins can affect the people around you as you vape. I also refer you to the Drexel study. Many of these studies show electronic cigarettes are a harm-reduction technology.

The gentleman from the Department of Taxation said that he is not here to debate the health benefits of vaping. He is here to talk about money and taxes. My question to him is if he wants to include nicotine and label e-cigarettes as tobacco products, why not tax other nicotine delivery systems on the market: the gum, the patch, the nicotine inhaler. The inhaler has propylene glycol with nicotine. It is very similar to an e-cig. I am opposed to this tax because it groups my product with the tobacco industry, which we are very much against. We are

here to get people away from smoking. It is absolutely incorrect that we are trying to get people hooked on nicotine products. When customers come in, we encourage them to wean themselves off nicotine, beginning with a 12-milligram dose of nicotine, gradually decreasing to 6, to 3, to zero. I have customers who have weaned themselves off nicotine and do not come in anymore for nicotine products. We are happy for them.

People are quitting smoking and switching to something much less harmful. Many peer-reviewed studies show that e-cigs are safer than smoking. Rather than taxing e-cigs, the government should subsidize this technology rather than penalize it. I brought my business to Nevada, but if you pass bills such as these, others will be discouraged to bring their business to Nevada.

Senator Hardy:

Do you use the tobacco plant or do you just use chemicals?

Ms. Supancheck:

I do not use these products. I test flavors from time to time just to make sure that they taste good for my customers, but I do not smoke and I do not vape.

Senator Hardy:

Do you use the tobacco plant to extract the nicotine in your lab?

Ms. Supancheck:

No. The nicotine is purchased from an outside lab. It is also tested independently to make sure it is pure.

Senator Hardy:

Did they get it from the plant?

Ms. Supancheck:

No. It was purchased in its liquid form.

Senator Hardy:

Did people who provided the liquid form extract nicotine from the tobacco plant?

Ms. Supancheck:

I do not have an answer for that. I can tell you that it comes with a material safety data sheet (MSDS), and all of the flavorings come with MSDS.

Senator Hardy:

As far as secondhand vapors, numerous people have talked about the vapors, but you have negated that completely.

Ms. Supancheck:

Yes. A study has been done on secondhand vaping. There is a list of all the studies done in 2014, and I would be happy to provide that list.

Senator Hardy:

Yes, please. Thank you.

Chair Roberson:

I just want to let everyone know that I doubt I am going to process this bill. I think we have heard enough testimony today. This bill is not going to go very far. For those of you who are opposed to this bill, go ahead and come forward.

Jennifer Hemphill:

I am a vaper, not a store owner. I also became addicted to hookah smoking. It is a communal practice that I began in college. I developed this habit and continued to smoke after college. I transferred from the hookah to vaping. The health benefits have been immense. The hookah smoke burned, it did not feel good, my running times were impacted, but the vapor does not do any of this.

The nicotine levels are a huge improvement as well. The nicotine levels are considerably lower. The milligrams are decreased over time, and vapers are encouraged to decrease to the level of zero. Now there is a standardized level of 3 milligrams. I am the monitor of a group of 1,100 people vaping. It is cause for celebration when someone achieves the 3-milligram standard because no one wants to ingest nicotine. We are using this vehicle to decrease our nicotine usage, with the goal in the end to get to zero—and then to not vape at all. I do not expect to vape when I am an old lady. This is a mechanism to lower the intake of nicotine. No one wants to do this forever. We want to get to zero.

James Caruso:

My point is that if this tax actually goes through, it would become unaffordable to me. I have not seen a raise in 7 years, I have quit smoking due to the cancer risk. I started with 24 milligrams and now I am down to 6. I want to go down to zero. If these are taxed, they will be unaffordable. I do not want to go back to cigarettes. Please do not pass this bill.

Chair Roberson:

This Committee is not prepared to process this bill. We will continue to look at the issue. There are many issues involved here in addition to the taxation issue. There are public health concerns. I do not intend to process this bill. The hearing on S.B. 79 is closed.

We will now hear Senate Bill 21.

SENATE BILL 21: Revises provisions relating to certain taxes imposed on special fuels. (BDR 32-381)

Wayne Seidel (Motor Carrier Administrator, Department of Motor Vehicles):

Senate Bill 21 is clarifying A.B. No. 413 of the 77th Session, which was indexing Clark County fuels. In January 2014, we started collecting 3 cents per gallon. It is up to 6.6 cents per gallon as of July 1, 2014. This is the portion of the refunds of fuel tax paid in Clark County that interstate carriers run outside the State. The bill cleans up what was not in A.B. No. 413 of the 77th Session. We have met with the stakeholders, Paul Enos of Nevada Trucking Association and Jessica Colvin in Clark County. We have worked on the language with all the stakeholders to move this new program forward. There are no refunds in fuel tax at the county level.

Senator Kieckhefer:

We heard this bill at 1 a.m. last Session. There was concern by the Regional Transportation Commission whether this bill would affect existing bonds in Washoe County. Does this specifically address Clark County? There is no impact on Washoe County?

Mr. Seidel:

This refers directly to the Clark County indexing. From the 2013 bill, we built a 20 percent cap of refunds into the regulations. The Legislative Commission adopted them in January and the regulations are now in place. We anticipate

creating a retention fund to keep 20 percent for potential refunds. We will refund on a calendar year, January 1 to December 31. We will receive refund requests with a \$100 application fee on April 1, or the month of April, and process the refunds through the end of June. It is specific to Clark County.

Paul Enos (CEO, Nevada Trucking Association):

I am here in favor of S.B. 21.

Jack Mallory (Southern Nevada Building and Construction Trades Council):

We support this bill. We appreciate the Division coming forward with the cleanup. We also appreciate the numerous jobs that have been created by the fuel indexing tax in Clark County, good-paying jobs worked by construction workers in southern Nevada.

Chair Roberson:

The hearing on S.B. 21 is closed. We will now move on to S.B. 22.

SENATE BILL 22: Revises provisions relating to certain licenses pertaining to intoxicating liquor. (BDR 32-455)

Wes Henderson (Executive Director, Nevada League of Cities and Municipalities):

I have submitted testimony from the Nevada League of Cities and Municipalities ([Exhibit D](#)).

Mike Cathcart (City of Henderson):

This idea originated with the southern Nevada priorities group. We were tasked to look through *Nevada Revised Statutes* (NRS) and streamline business licensing processes for liquor-related business. This is one issue that the City had gotten several complaints on. The process slows down new business licensing. It means potential businesses have to come to us as their home jurisdiction and also go through a process with Clark County. This bill will make it so that the home jurisdiction, the incorporated city, would handle all licensing functions, and we would be the main contact for the Department of Taxation on enforcement. We would handle the businesses within our community. From the City's standpoint, this bill would streamline the process, and we would be more responsive to business as far as enforcement and collection of fees are concerned.

Mary McElhone (City of Las Vegas):

This proposed legislation is the result of work by business licensing professionals, local business and State agency administrators to identify and streamline our licensing process. *Nevada Revised Statutes* 369 requires that an application for a business to manufacture alcoholic beverages within the corporate jurisdiction of an incorporated city must obtain approval not only from the city in which they intend to locate but also through the county.

For example, a distillery must apply to the City of Las Vegas, but then we must refer them back to Clark County. Once the County provides approval to operate within the City, the applicant is then referred back to the City. The City then determines if the applicant may have a business license for the distillery. The result is an additional 30 to 60 days for the applicant with no clear benefit. Senate Bill 22 reduces the number of steps for businesses and provides a clear connection between the approval authority and the jurisdiction in which the business intends to operate.

Senator Hardy:

What is the availability of the inspectors to make sure that the manufacturers are doing what they are supposed to be doing as far as quality and quantity, and how do you prevent somebody big or little coming in and taking over? Who does what?

Ms. McElhone:

Right now we have eight licensed compliance officers. They each have his or her own vehicle and go into the field on a daily basis. One of their main assignments is to find unlicensed businesses and also maintain compliance with licensed businesses. Liquor is a privileged license and a note of concern in the City of Las Vegas. We take the compliance very seriously. Clark County does not help the City of Las Vegas monitor our licensed establishments. We work with the State. The State helps us out from time to time.

Senator Spearman:

The process would go to the municipal level and bypass the county level?

Ms. McElhone:

Yes. That is correct. That is what this bill is proposing. As it is now, a business approaches the City of Las Vegas about opening a new operation. The packet of information with the application initially starts with the City. From there, if it

looks like the business will be reasonably licensed, we have to refer it to Clark County. At the County level there is an application the business fills out and a process to be approved by the County Board of Commissioners. Once approval is completed, the business is referred back to the City of Las Vegas, and we complete the application process. It should be noted that while the County is involved in this process, it does not receive payment. The County ends up performing this service for free. We are working toward cutting out an entire step.

Senator Spearman:

How would you ensure uniformity throughout every city and every county?

Lana Hammond (City of Henderson):

I would like to provide some clarification. Although the application runs through Clark County as part of the approval process, Clark County is not doing any inspections of these locations. The inspections are being done by the State and by our various local building and fire safety departments. Clark County is granting approval at the Board of County Commissioners level, but the County is not actually inspecting those facilities.

As for consistency between counties, that does not exist now. As for building and safety consistency, you would have whatever exists under uniform building codes for the facilities. Production of liquor standards under NRS would be enforced, and the inspection would be conducted by the State inspector.

Senator Spearman:

I am trying to understand how uniformity would exist across all cities, being that there are more cities than counties. If the purpose is to reduce redundancy, why take it to the city level and not put those responsibilities at the county level and have them funded as such?

Mr. Cathcart:

We work closely with the County staff. The County staff has a business license function that operates within the unincorporated sectors of Clark County. Any other business license issues already reside with the cities. Clark County only handles incorporated businesses with liquor privileges. We work closely with Las Vegas, Clark County and North Las Vegas as far as the south is concerned. We are working on a regional approach. We are trying to regionalize where we can. We work together.

Businesses with business licenses already within their cities get bounced back to the County and go through a County Commission meeting, which adds 30 to 60 days to the licensing process. The County is not charging a fee or enforcing the NRS standards. This enables us to work closely with the State as a source of information and enforcement when issues arise for these businesses.

Senator Hardy:

Are the representatives for the State and the County going to show up? Are they in favor of this?

Mr. Cathcart:

The issue was brought up at the Nevada League of Cities and Municipalities and Nevada Association of Counties' Local Government Summit on January 23 with commissioners and city council persons from all over the State, and there were no objections at that meeting. The only comment was that we should be looking for more opportunities like this one.

Chair Roberson:

The hearing is closed on S.B. 22. We will go into work session to consider S.B. 21 and S.B. 22.

SENATOR HARDY MOVED TO DO PASS S.B. 21.

SENATOR FORD SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

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Chair Roberson:

Any discussion on S.B. 22?

Senator Spearman:

I would like to have a broader conversation on how to streamline the process across counties.

SENATOR HARDY MOVED TO DO PASS S.B. 22.

SENATOR FORD SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Roberson:

The meeting is adjourned at 6:31 p.m.

RESPECTFULLY SUBMITTED:

Jennifer Pearce,
Committee Secretary

APPROVED BY:

Senator Michael Roberson, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	1		Agenda
	B	8		Attendance Roster
S.B. 79	C	3	Ricardo Giron	Testimony
S.B. 22	D	1	Nevada League of Cities and Municipalities	Testimony