

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON REVENUE**

**Eighty-Second Session
April 4, 2023**

The Committee on Revenue was called to order by Chair Shea Backus at 4:08 p.m. on Tuesday, April 4, 2023, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda [[Exhibit A](#)], the Attendance Roster [[Exhibit B](#)], and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/82nd2023.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Shea Backus, Chair
Assemblywoman Venicia Considine, Vice Chair
Assemblywoman Natha C. Anderson
Assemblywoman Lesley E. Cohen
Assemblywoman Danielle Gallant
Assemblyman Ken Gray
Assemblyman Gregory T. Hafen II
Assemblywoman Erica Mosca
Assemblyman Duy Nguyen
Assemblyman P.K. O'Neill
Assemblyman David Orentlicher
Assemblywoman Shondra Summers-Armstrong

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblyman Howard Watts, Assembly District No. 15
Assemblywoman Sabra Newby, Assembly District No. 10

STAFF MEMBERS PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst
Susanna Powers, Deputy Fiscal Analyst
Nick Christie, Committee Manager
Gina Hall, Committee Secretary
Cheryl Williams, Committee Assistant

Minutes ID: 720



OTHERS PRESENT:

Danny Thompson, representing International Union of Operating Engineers Local 12;
International Brotherhood of Electrical Workers Local 396; and Laborer's
International Union of North America Local 872

Justin Jones, Vice Chairman, Clark County Board of County Commissioners; and
Chair, Board of Commissioners, Regional Transportation Commission of
Southern Nevada

M.J. Maynard, Chief Executive Officer, Regional Transportation Commission of
Southern Nevada

Bill Wellman, representing Las Vegas Paving Corporation
Stacey Lindburg, President, C and S Company, Inc., Las Vegas, Nevada
Thomas Morley, representing Laborers Local 872 and Laborers Local 169
Warren B. Hardy II, representing Warren Hardy Strategies
Kandice Townsend, representing City of North Las Vegas
Paul J. Enos, Chief Executive Officer, Nevada Trucking Association
Ronald Young, representing International Brotherhood of Electrical Workers
Local 357

Russell Rowe, representing American Council of Engineering Companies, Nevada
Chapter

Michael Hillerby, representing Regional Transportation Commission of Washoe
County

Andy Donahue, representing Southern Nevada Laborers-Employers Cooperation and
Education Trust

Dylan Keith, representing Vegas Chamber

Nicole Rourke, Director, Government and Public Affairs, City of Henderson
Alexis Motarex, Government Affairs, Nevada Chapter, Associated General
Contractors of America

Chris Burke, Vice President and Regional Manager, Granite Construction
Glen Leavitt, Director, Government Affairs, Nevada Contractors Association
Peter Krueger, representing i3 Public Affairs
Zach Bucher, Government Affairs Officer, Government and Community Affairs, City
of Las Vegas

Peter Guzman, President, Latin Chamber of Commerce, Las Vegas, Nevada
Shaundell Newsome, Chair, Nevada Contractors Association, Diverse Contractors
Council

Janine Hansen, President, Nevada Families for Freedom
Casey Rodgers, Private Citizen, Minden, Nevada
Alida Benson, Executive Director, Nevada Republican Party
Cyrus Hojjaty, Private Citizen, Las Vegas, Nevada
Marco Guzman, Senior Policy Analyst, Institute of Taxation and Economic Policy
Chris Daly, Deputy Executive Director, Government Relations, Nevada State
Education Association
Maria-Teresa Liebermann-Parraga, Deputy Director, Battle Born Progress

Tessyn Opferman, representing Human Services Network; Nevada Women's Lobby; and National Association of Social Workers
Carter Bundy, representing American Federation of State, County and Municipal Employees International
Kent M. Ervin, Ph.D., State President, Nevada Faculty Alliance
Matthew Wilkie, Private Citizen
Roberto Renteria, Private Citizen
Robert Garcia, Economic Justice Organizer, Make the Road Nevada
Elyse Monroy-Marsala, representing Nevada Public Health Association
Jim DeGraffenreid, National Committeeman, Nevada Republican Party
Theresa DeGraffenreid, Private Citizen, Gardnerville, Nevada
Dan Musgrove, representing Universal Health Services Delaware, Inc.
Jonathan Norman, Statewide Advocacy, Outreach, and Policy Director, Nevada Coalition of Legal Service Providers
Marlene Lockard, representing Service Employees International Union 1107
Layke Martin, Executive Director, Nevada Cannabis Association, Las Vegas, Nevada
Shellie Hughes, Executive Director, Department of Taxation
Daniel Stewart, representing Puffco
James Wadhams, representing Black & Wadhams
Brandon Wiegand, President, Nevada Cannabis Association; and Chief Operating Officer, Thrive Cannabis Marketplace
Salpy Boyajian, President, Cana Nevada, North Las Vegas, Nevada
Brett Scolari, representing CPCM Holdings, dba Thrive Marketplace; GreenMart of Nevada; Cura Cannabis Solutions, dba Curaleaf; Clark County Natural Medicinal Solutions, dba Solaris; and Nevada Organic Remedies, dba The Source
John Ackell, General Manager, Zenway Corporation, North Las Vegas, Nevada
Will Adler, Director, Sierra Cannabis Coalition
Mina Mafua, CEO, The Real McCoy, Minden, Nevada
John Ocegüera, representing Metrc
Ashley Cruz, representing Cannabis Chamber of Commerce
James MacRae, Private Citizen, Washington

Chair Backus:

[Roll was taken and Committee rules and protocol were reviewed.] Today is going to be a full meeting. Due to many bills being introduced in other committees, we are going to take ours out of order today. We will start with Assembly Bill 359. Ideally, we would like to move to Assembly Concurrent Resolution No. 7, then go to Assembly Bill 445, and conclude this evening with Assembly Bill 430. However, with other members having to present in other committees, we have to be a little flexible today. I will now open the hearing on A.B. 359, revising provisions relating to the imposition by certain counties of additional taxes on fuels for motor vehicles.

Assembly Bill 359: Revises provisions relating to the imposition by certain counties of additional taxes on fuels for motor vehicles. (BDR 32-801)

Assemblyman Howard Watts, Assembly District No. 15:

We will do our best to keep things moving for you, and flexibility is important. Joining me today to help present this bill is Danny Thompson, on behalf of labor, and M.J. Maynard, CEO of the Regional Transportation Commission (RTC) of Southern Nevada. Also joining us via Zoom is Clark County Commissioner and RTC Board Chairman, Justin Jones.

I will give you a little background on this issue. Through the passage of Assembly Bill 191 of the 78th Session in 2015, the legislature placed a question on the 2016 General Election ballot in Clark County seeking approval for a 10-year extension of an indexed fuel tax, which was originally approved in a previous session. As you may recall, the question was approved by 56.27 percent of the voters, and with that approval the people of Clark County agreed to pay higher taxes in order to devote billions of dollars to local road construction, maintenance, and repair projects.

Under current law, for Clark County to be able to continue this indexing after that 10-year period ends on December 31, 2026, an additional question would be required to be placed on the ballot in November 2026, asking voters whether to authorize the county to impose the indexing moving forward. If that were approved, it would continue from January 1, 2027, with no end date prescribed. With that indefinite continuation, it would be the same as the current indexing mechanism in Washoe County. I know fuel taxes are a bit complicated with state portions and local portions. Certain things have been acted upon, particularly indexing in Washoe County and Clark County—not in other counties. As it stands, Clark County would need to approve an additional ballot question in order to continue indexing in 2027 and beyond. If that question were not approved, then the indexing calculations and increases would end with the rates established on July 1, 2026, but those rates would not be affected or eliminated and would continue for any period during which bonds are outstanding that are secured by those indexed tax rates.

That brings us to the bill at hand. Assembly Bill 359, which you have before you today, instead of requiring the approval of a majority of the voters in the county to continue to provide for those annual increases on and after January 1, 2027, would authorize continued increases in these taxes consistent with the indexing that we have had so far, if the Clark County Board of County Commissioners, on or before the end of 2026, adopted an ordinance authorizing the annual increases. If they did not do so, they would be prohibited from imposing any additional annual increases or indexing to those taxes.

That, at the highest level, is what the bill seeks to do. Figuring out how we provide sustainable funding for our transportation system—our roadway network—is of critical importance. It is an issue that has become worse over time. We have seen an erosion in funding for some of these programs. In some cases, it is because the way they are set up is not able to keep up with our growing economy and community. When it comes to fuel taxes, they have been eroded by increasing vehicle efficiency throughout the fleet, including the use

of alternative fuel vehicles, and they have been eroded by inflation. This seeks to ensure we do not slip back any further. This is one of the items that came out of a working group spearheaded by Assemblywoman Monroe-Moreno, who is the lead sponsor of this bill. I am honored to present it on her behalf today. I will turn things over to Mr. Thompson.

Danny Thompson, representing International Union of Operating Engineers Local 12; International Brotherhood of Electrical Workers Local 396; and Laborer's International Union of North America Local 872:

We are in support of the fuel revenue indexing. I am also the Vice Chairman of the Transportation Resource Advisory Committee (TRAC), and I know a number of the members of the committee are here. I know our Chairman, Warren Hardy, is here today in support of this bill.

For those of you from Clark County, you know the problem and you know the solution is not easy. Our funding is broken down into three main sources—motor vehicle fuel tax, sales tax collected in Clark County, and fuel revenue indexing. This issue has already gone before a vote of the people and a vote of the county commissioners, where it passed overwhelmingly. It is critical, if we are going to maintain our infrastructure in southern Nevada, that we have this. Assemblyman Watts just mentioned the problems we have had with fuel efficient vehicles and more fuel efficiency demanded by the federal government, then with the advent in addition of electric vehicles that pay no tax, it is critical that this funding be maintained. You are going to hear from M.J. Maynard, in the presentation today, some of the nuts and bolts about the taxes. I just wanted to let you know that labor is in complete support of this bill, Southern Nevada building trades are in support of the bill as well. I would like to turn it over to Commissioner Justin Jones, who is here via Webex today.

Justin Jones, Vice Chairman, Clark County Board of County Commissioners; and Chair, Board of Commissioners, Regional Transportation Commission of Southern Nevada:

Assembly Bill 359 would enable the Clark County Board of County Commissioners to extend fuel revenue indexing if we pass an ordinance on or before December 31, 2026, to authorize the continuation of the program. While serving in the Legislature in 2013, I had the opportunity to support fuel revenue indexing (FRI), with the promise of creating a sustainable funding source for roadway improvements. Since the inception of FRI in 2014, it has generated nearly \$2 billion and funded more than 400 critical infrastructure projects. The continuation of this program is critical to building and maintaining roadway infrastructure throughout southern Nevada. It will also support local women-, minority-, and veteran-owned businesses and create hundreds of good paying jobs in the construction industry. Investments in transportation infrastructure, through programs such as FRI, are critical to accommodate sustainable growth, reduce congestion, and ensure that we are able to continue to compete globally in attracting visitors and businesses to southern Nevada. This funding is needed to sustain jobs and build roadway projects that improve safety, manage congestion, enhance multimodal connectivity, maintain the current infrastructure, and promote economic development. The passage of A.B. 359 is vital for improving the quality of life of our residents and continuing to strengthen our economy. On behalf of

the Clark County Commission and RTC Board, I ask for your support of A.B. 359. I will now turn it over to RTC's CEO, M.J. Maynard, to provide an overview of the RTC's roadway funding efforts and a summary of what FRI has accomplished for southern Nevada.

M.J. Maynard, Chief Executive Officer, Regional Transportation Commission of Southern Nevada:

Southern Nevada roadway funding is broken down from motor vehicle fuel tax, sales tax, and fuel revenue indexing [page 2, [Exhibit C](#)]. As you have heard, roadway funding makes it possible for the RTC and its member agencies—and that includes Clark County, the cities of Las Vegas, North Las Vegas, Henderson, Mesquite, Boulder City, and unincorporated Clark County—to move forward with the planning, construction design, and maintenance of transportation projects that benefit millions of southern Nevadans, not only residents but also our tourists. These projects, as you know and have heard, create jobs, put small businesses to work, and clearly improve the local economy.

As A.B. 359 is regarding the continuation of FRI, I would like to briefly discuss the origination of the program [page 3]. In 2013 the Nevada State Legislature, with overwhelming bipartisan support, passed Assembly Bill 413 of the 77th Session, which enabled the Clark County Board of Commissioners to index the county's motor vehicle fuel tax to inflation for the period of January 1, 2014, through December 31, 2016, if enacted, an ordinance to effectuate the provision of A.B. 413 of the 77th Session. The bill also authorized the county commission to provide for increases in these taxes, subject to a ten-year rolling-average producer price index (PPI) for highway and street construction that could be no more than 7.8 percent annually. On September 3, 2013, the Clark County Board of Commissioners approved Ordinance No. 4126, which approved FRI in Clark County and included a 10-cent total cap on increases the first three years.

In 2015 the Nevada State Legislature passed Assembly Bill 191 of the 78th Session, which simplified the ballot initiative language and process under A.B. 413 of the 77th Session. The legislation gave authority over the decision to institute FRI to each county's voters, rather than placing it as a statewide question on the ballot. In November 2016, Clark County Question No. 5 was approved by a vote of the people, which extended FRI through December 31, 2026. At the time, FRI was rejected in all the counties except Washoe County, which already had a program in place. On March 21, 2017, the county commission amended the 2013 ordinance to cap any increase to the FRI to 4 cents per gallon annually as part of the ballot question.

The historical background brings us to the current Nevada gas tax breakdown [page 4]. Today 69.5 cents are collected for every gallon of gas sold in Clark County—52.2 cents through fuel tax and 17.3 cents through the FRI program. Of that 69.5 cents, as you can see, 27 percent goes to the federal government, 30 percent to the state, 12 percent to the county, and 31 percent to the RTC of Southern Nevada.

To highlight the success of the program [page 5], since 2014, 405 FRI projects have been awarded. Of those 405 projects awarded, 201 are completed projects. We have 87 active construction and 117 active design FRI projects. Nearly 100 local small businesses have benefited from this program, and we have contracted, as you heard Chairman Jones say, \$1.95 billion in FRI through the local jurisdictions. Finally, as noted here, the projects funded and developed in partnership with the local jurisdictions have created more than 10,000 new jobs.

This map is a visual of the projects that have been funded through FRI—the 201 completed projects [page 6, [Exhibit C](#)]. This map is a visual of the 87 active construction projects and 107 active design FRI projects currently underway in Clark County [page 7].

As you know, the cost of building and maintaining projects has increased due to inflation [page 8]. For example, you will need \$1,350,000 in 2024 to build the same project you constructed in 2014 for \$1 million, so inflation has certainly been very impactful. If you look at the blue line here, it represents the annual PPI, and it has been very volatile, as you can see. The green line represents the ten-year rolling-average PPI. This average is the percentage used to calculate the annual indexing revenue increases, so it has had sort of a smoothing effect in terms of what the annual rate of index increase is every single year.

The challenge of the FRI program is it is only in place until 2026. Passage of [A.B. 359](#) could help continue fuel revenue indexing and generate nearly \$1.2 billion over ten years. The nearly \$1.2 billion from the FRI projections does not go just to the RTC. It also goes to the State and Clark County for southern Nevada projects. The FRI program will help address inflation, sustain jobs, and allow us to maintain and build transportation projects that will benefit southern Nevada. I am open for any questions.

Assemblyman Watts:

That concludes our presentation. We are glad to answer any questions the members of the Committee may have.

Assemblyman Nguyen:

I am also a member of the RTC Transportation Resource Advisory Committee. This is something I did not know, serving in that role, that I would be able to ask here, in terms of funding projects we have talked about. There are a lot of things that are going to help with the economy, jobs, projects, and making sure our roadways are doing well. I remember we talked about the critical need for funding in terms of transit services. Does it help in funding those additional transit dollars we need?

M.J. Maynard:

You are correct. We have a significant transit funding challenge. I think we have been here speaking with many of you about that challenge. Although the FRI is constitutionally prohibited from being used for anything other than roadway projects, as noted earlier in the

presentation, sales tax collected in Carson City is also used to fund roadway projects, so if A.B. 359 is passed and becomes an ordinance through the Clark County Commission, we would have the ability to reallocate some of that to fund and maintain our current level of transit service.

Assemblyman Watts:

Just to put a finer point on it, we are facing some significant challenges structurally with funding for both transit and our transportation infrastructure. This will help, mostly by preventing things from getting any worse. If we, for any reason, do not extend fuel revenue indexing, we are going to face some significant problems in both the upkeep of our roadways and maintenance and development to meet our communities' needs. There is also going to be those stresses on the transit system, and they are going to multiply because there is absolutely no release valve.

Assemblyman Nguyen:

I think the transit gap in services is affecting underserved communities, like the district I represent. It is good to hear how this could be helpful to that.

Assemblywoman Considine:

Thank you for bringing this. I have received numerous emails on this bill from all over the state. I just want to clarify that this bill only affects Clark County. Is that correct?

Assemblyman Watts:

That is correct.

Assemblyman O'Neill:

I have a statement, and I promise you there is a question at the end. If I understand the bill correctly, the voters initially voted 58 percent to allow for indexing in Clark County for the fuel tax. In the bill, it required they have to return back to a vote of the people in 2026. You are now suggesting, for Clark County alone, we take that vote away from the people and give it to the county commissioners who are elected. There will be an election for some of them between now and 2026, is part of the question, and how do you justify taking away the vote of the people? Here in Carson City, we just had a similar vote, and we voted this down. I know our roads in Carson City are extremely challenged.

That is what I am dealing with. Help me work through that challenge. Help me work through the issue of removing another vote that was passed by the people and giving it to the county commissioners, some of whom, I do not know how many, will be up for reelection and this may be an election point to deal with your issues, from the perspective of Carson City.

Danny Thompson:

This was already passed by a vote of the people, overwhelmingly. I think back to the campaign. My company worked on that campaign. Those of you who lived there during that time knew the orange cone brigade we had and all the problems associated with that.

You elected as legislators are 500 miles away from your constituents. This is critical, so given that it has already had a vote of the people and passed overwhelmingly, giving that decision to the Clark County Commissioners, where constituents can walk into your office and talk to you every day, I think it is prudent to do that.

On the other side of the coin, without this funding you are going to have problems, and Assemblyman Nguyen mentioned transit is already a disaster in Clark County for the people who have to try to get to work on the transit system. For the road systems in Clark County, it is critical to have this funding.

The other thing I want you to think about is the Las Vegas Strip, and Las Vegas, is a major part of the state's budget—40 some percent back in the day. I do not know what it is today, but I would imagine it is probably pretty close to the same. That is generated on the seven miles of road. Keeping those in good working order and safe, not just for our constituents but for our tourists who come here and pay the bills, is critical. The fact that the county commission is the closest government to the people, I do not think it is a problem.

Assemblyman Watts:

I would like to add onto that. First of all, just to give some precise clarity on the question you asked about the county commissioners up for reelection. Between now and 2026 every single county commissioner will be on the ballot. They will continue to be on the ballot afterwards. There is continued accountability to the people.

Again, this was initially passed by a vote of the people, and when a lot of this was being discussed and debated, and I was not in the body at that time, it was discussed that there should be a vote of the people to indicate the willingness to move forward with this, and Clark County had that.

To the point you brought up about Carson City, I would also like to note we heard in the Assembly Committee on Ways and Means about issues related to funding for capital costs for schools, particularly in Elko County, which have been restricted or rejected by the voters. There are some extremely difficult decisions and crumbling facilities that county is having to deal with. I understand where some of those constituents are coming from. I think we are attempting to do something that respects the framework that was discussed when this moved forward in the past, which was put up to a vote of the people, where it did pass. Also, to your point about the state, we have a responsibility to everybody in this state to try to ensure we are providing the critical infrastructure and services folks need, and this is ensuring that we are going to be able to continue to do that.

Assemblyman O'Neill:

I appreciate that, and I have said several times in statements that when I have to vote on an issue that deals solely with Clark County, I asked for the same respect in return when we have an issue, as you say in Elko—the rural counties—because I do think that at times,

respectfully said to you and your Clark County fellow Assembly people, you forget that there are other parts of the state, so I truly appreciate that. Mr. Thompson, I appreciate your conversation and your comments. I would like to discuss it more in depth offline, if you would stop by sometime.

How many county commissioners are there? Not coming from Clark County, I do not know. You need to educate me. You specified all of them are up for reelection between now and 2026, or their election would be in 2026. Clarify that for me please?

Assemblyman Watts:

We have seven county commissioners in Clark County, and they serve four-year terms. Roughly half will be up in 2024 and the other half will be up in 2026, when they would need to take action on FRI by.

Assemblywoman Cohen:

I believe Assemblyman Watts said that the existing rates continue as long as the bonds were outstanding, if FRI is not approved. Let us say this does not pass, or we do pass it out of Committee and the county commission does not pass it, is there a plan about what happens next? Is there guidance you have already worked out, such as RTC is going to take the first hit, so we know our people who use RTC are going to have the issues, or do we know it is going to be roads, or it is going to be to our new developments, where we are developing new neighborhoods in the outskirts, is that where we are going to see the biggest hits, or where we are going to first see those hits?

Assemblyman Watts:

I will turn this over to RTC to give additional detail. I will speak bluntly. No matter what happens, if under any circumstances fuel revenue indexing is not extended, it is going to have some significant negative consequences. To your point, the way the current framework is, the indexing that has gone into place, those rates would be there and would support bonds that have been issued to support projects. We would not see cataclysmic-level impacts right away, but for every year we are no longer conducting any type of indexing, we are watching our revenues to support critical infrastructure projects erode at an accelerated rate compared to the need due to the impacts of inflation. Those are going to continue to compound. We will not be able to do additional bonding based on future fuel indexing revenues, and that is going to impact both rehabilitation projects and existing roadways that need maintenance and repair, as well as the construction or expansion of roadway infrastructure in growing developing communities.

M.J. Maynard:

You are exactly right. What we are seeing today, even with the program in place, many of the projects coming in now are sort of repriced if you will, compared to the original estimates because of inflation. We are seeing many projects increasing in costs, 50 percent to sometimes 100 percent. Today the local jurisdictions are able to do fewer projects because of inflation, just based on the cost of doing business, so we are already seeing an impact to what is happening with the program that is currently in place. If indexing discontinues,

Assemblyman Watts is exactly right, it will significantly impact what we, meaning the jurisdictions, will be able to do in the future. As an example, if fuel indexing was stopped, because it is not indexed anymore, at a static rate of \$85 million per year, that does not do a lot. It will have a significant and long-term impact to Clark County.

Danny Thompson:

One of the other problems is the transit system in Clark County has been negatively impacted. When we passed the transportation network companies, we had one bus route that made money. The only route in Clark County that made money was a Strip route. Once the transportation companies came in, that had to be subsidized. If you think about having to maintain a system that allows the number of employees who work in the seven miles of the Las Vegas Strip, 24 hours a day, it is a huge undertaking, and the transit system is woefully lacking.

I know the TRAC committee is trying to find solutions, and money solutions. If this bill does not pass, the problems are going to be compounded. I shudder to think what it would look like. If this bill does not pass, then you all are going to have to come up with something, or some new tax, to make up the difference. At the end of the day, we have to provide a safe and reliable roadway.

Assemblywoman Mosca:

You mentioned it briefly, but for the record can you talk about the caps that do exist?

M.J. Maynard:

In the statute itself there was a cap in terms of ensuring the fuel indexing program. It was either the average of the ten-year rolling-average PPI or the lesser of 7.8 percent. When it was brought back to the Clark County Commission, in an ordinance they put an additional constraint on that and added another 4-cent cap—an annual 4-cent cap per year. It truly has constraints in place, not only at the state level, but also by way of the Clark County Commission.

Chair Backus:

We will move to testimony in support of A.B. 359. I do not want to rush you. I have a feeling we have a lot of people here in support tonight. We are going to permit 25 minutes in support and 25 minutes in opposition. Start when you are ready.

Bill Wellman, representing Las Vegas Paving Corporation:

Briefly, based on the testimony of the presenters, this has always been enabling to the county commissioners. It was enabling in 2013 with A.B. 413 of the 77th Session. It was enabling again in 2015. It was enabling with the ballot measure passing in 2016. The county commissioners recognized that. It had the fail-safe mechanisms in at 7.8 percent, and the county commission took action to ensure that it was not a complete runaway and a burden on the community by adding another 4 cents, whichever is less moving forward.

Now, with that said, fuel revenue indexing has been instrumental in allowing infrastructure improvements to keep in sync with inflation, unquestionably, and creating jobs. In 2009, Las Vegas Paving had 1,400 employees. We are the largest contractor in the state. In 2012, we were down to 550 because of the lack of jobs. Today we are back at 1,400 on our payroll, directly because of fuel revenue indexing. However, today and now, and part of this legislation modification is, as we created all these jobs we must ensure we sustain those jobs. That will not happen if FRI does not continue.

Fuel revenue indexing has successfully demonstrated what it does by still producing and currently maintaining those good, high-paying jobs over the last nine years; enhancing and maintaining our local infrastructure, which is clearly important; and it is passive in conservatively adjusting to the rate of inflation with the caps that we have on it over a ten-year rolling average. It is user-based. If you are not driving a vehicle, you are not paying the tax.

Most importantly, it creates an infrastructure and improvements that are tangible—those that you can see, touch, and most importantly use—which we are all the benefactors of, regardless of the mode of transportation we have. In this building, over the last several weeks we have talked a lot about apprentices, and many of you have been a part of those discussions. Those apprentice opportunities go away when jobs go away. This is very important. Your support of A.B. 359 can help ensure we continue to have this job creation and ensure sustaining jobs we have all created.

Stacey Lindburg, President, C and S Company, Inc., Las Vegas, Nevada:

You heard him say that affected 100 small businesses when they put the indexing in. I do not know about the other 99, but I am one of them that was greatly affected by the indexing. I am a survivor of 2008. I was in Las Vegas and in Clark County as a contractor for public works when they basically turned out the lights. Indexing one hundred percent saved the small businesses in Clark County.

We work for every entity, not just one. It has helped us with our work with the state, the city, city of Henderson, RTC, and the county. In 2008 I had 10 employees. I now have 67 full-time employees. It did create the job work. They are all union employees. They all have medical, they all have health, and they all have benefits. They also support families in our area.

This is a critical path to us. This is not something that is not passionate. This is what funds my lifestyle, not only what I get from the county, but I also spend that. That is how I buy tractors. That is how I stay sustainable in my market. When we talk about the first person to go out if this does not pass, you are looking at it. It is the small business. It is me. It is your DBE [disadvantaged business enterprise] contractor. I am the first one to go.

The work that has been put on my plate is largely due to the public works projects you have put out in this market. Thank you again for the first time, and I hope for your support on the second—A.B. 359.

Thomas Morley, representing Laborers Local 872 and Laborers Local 169:

I would like to thank Assemblyman O'Neill for meeting with me this afternoon before the hearing and allowing us to explain some of the issues we have down in Clark County. We urge your support.

Warren B. Hardy II, representing Warren Hardy Strategies:

When I was asked to chair the TRAC committee, I said I would do it under one condition, and that was that Danny Thompson is the vice chair. Danny is my friend and my mentor. I trust nobody more to bring this bill forward with the RTC than my friend, Danny.

I had been on the TRAC committee for some time, and when I was asked to chair last year, I went in with some grand ideas about aspirational things we could do in transportation in southern Nevada, to make southern Nevada a leader. We go to other states, and we see some of the fantastic transportation opportunities they have, and those things ought to belong in Nevada, in southern Nevada, in Las Vegas. That was the aspirational goal I went into this last year of TRAC with. I very quickly realized that is not a place we are in right now. We are in a place where public transportation in southern Nevada is at an existential threat. The dollars that are needed are necessary because of some of the things Mr. Thompson talked about, in terms of eroding our tax base, are not there and are not available. I will tell you one compelling moment during a committee hearing, I said to the committee, and I will say this to Assemblyman O'Neill's question, the TRAC committee is probably the most diverse and well-represented committee I have ever served on, and I serve on a lot of these. I asked the committee, in a very compelling moment, we talked about this existential threat and I said, "Is there anybody on this committee who does not believe that the RTC has an obligation to provide transportation of last resort to individuals who cannot get to work any other way? Is there anybody who does not believe that is our most compelling and important mission?" Not one single hand went up. That is the kind of existential threat we are facing here. That is what the extension of the FRI will allow us to address.

I do not remember who asked the question about contingency plans and how we are going to fund this if this does not get advanced. The answer to that, as chairman of the TRAC committee, is I do not know. I do not know where to start on that conversation. This is an existential issue for southern Nevada and our transportation needs, for those who are dependent on these systems to get to and from work. This is not about getting to a concert on the Strip. This is not about going down and gambling. This is an existential issue for those who need transportation in southern Nevada.

Kandice Townsend, representing City of North Las Vegas:

I am here to testify in support of A.B. 359. The continuation of the fuel revenue indexing funding will allow us to continue to address the city's infrastructure, improve congestion, and improve safety for all modes of traffic. We have used the funds to perform various safety improvements near school sites as part of the school safety program, Americans with Disabilities Act (ADA) upgrades to improve ADA accessibility citywide, and major roadway

construction and reconstruction, such as improving Las Vegas Boulevard, Lamb Boulevard, and Simmons Street. I want to thank Assemblywoman Monroe-Moreno, Assemblyman Watts, and the RTC for bringing this forward. We support A.B. 359, and we urge you to do the same.

Paul J. Enos, Chief Executive Officer, Nevada Trucking Association:

We are here today to support A.B. 359. I served on the alternative funding working group and there were a lot of different things we talked about and a lot of things I voted no on. This was not one of them. I am blessed to represent an industry that moves 95.3 percent of freight in the Silver State. We pay about 40 percent of all the taxes—state, federal, and local taxes for our roads—responsible for about 9 percent of all miles traveled. We do pay our way, and we prefer paying our way in fuel tax.

Why do we like fuel tax? We like fuel tax because it is the most efficient mechanism out there to pay for our roads. For every dollar that is collected, it costs the state about 3 cents. You do not get a better bang for your buck than that. In 2013 we worked with the RTC. Mr. Wellman and I had a lot of conversations and long negotiations on how this bill was going to work. I will say, I think the Clark County index is better than the Washoe County index. It is better because it does have that 7.8 percent cap. It is better, because my sticking point was, it does not penalize our interstate trucking companies that are purchasing fuel in Clark County and using it out of state. We got that fix. We are very happy with the fuel tax mechanism.

Just for some understanding, the base level of our federal fuel taxes has not been raised since 1991 or 1992 in Nevada, so we have not raised the base rate of fuel tax in a long time. The fuel tax index works. It is something that is efficient. We support this and would appreciate your moving this forward.

**Ronald Young, representing International Brotherhood of Electrical Workers
Local 357:**

Trying to keep my comments brief, I would like to raise up and echo a lot of the comments that have already been made. I think everyone understands the importance of this bill, and I want to thank the sponsors and the RTC for bringing this forward. I urge that this Committee stands in support of A.B. 359.

**Russell Rowe, representing American Council of Engineering Companies, Nevada
Chapter:**

We were founding members of the group moving FRI back in 2013. We have a letter we submitted for the record with details for your reference [[Exhibit D](#)]. We stand in strong support of this legislation. It is the top priority for the engineers this session.

**Michael Hillerby, representing Regional Transportation Commission of Washoe
County:**

I am very pleased to be here today in support of our colleagues at RTC Southern Nevada. We have enjoyed the benefits of fuel tax indexing in Washoe County for several years. That

additional revenue has allowed us to keep pace with the rising cost of labor and materials. This revenue does not just help us build roads. We use approximately one-third of it for our pavement preservation program, to keep those new roads working well and serving our constituents. We also use it to support a larger transportation system. It helps make our communities safer for pedestrians and cyclists. We have used it for new sidewalks, bike lanes, cycle tracks, and multiuse paths. It allows for better public transportation because we are able to build lanes and facilities for buses as a part of that. It makes roadway improvements that make it safer for everyone. It has been a real bonus for our community and a real benefit. We are happy to support the efforts of our colleagues.

Andy Donahue, representing Southern Nevada Laborers-Employers Cooperation and Education Trust:

I am glad to support this legislation and investment.

Dylan Keith, representing Vegas Chamber:

As the largest and broadest business-based organization in the state of Nevada, we were in support of this legislation in 2013, and we are in support of this continuing legislation. Not only is an efficient and modernized transportation system especially necessary for a thriving business economy, but we are also in support of this because it is essential for our smallest, most underserved communities, as well as our veteran-, minority-, and women-owned businesses. For those reasons, we ask for your support.

Nicole Rourke, Director, Government and Public Affairs, City of Henderson:

We are here to support A.B. 359. We are projecting over \$600 million in projects over the next ten years, and certainly this is a very important revenue stream to provide a stable revenue for the next ten years.

Alexis Motarex, Government Affairs, Nevada Chapter, Associated General Contractors of America:

We represent the commercial construction industry in northern Nevada. We are in strong support of A.B. 359. Washoe County, as you know, has a similar mechanism in place to index our fuel tax to keep pace with inflation, the increasing cost of construction, and the growing needs of our community. Without this ability to index, there would be no way RTC of Washoe County could have kept pace with the exponential growth we have seen in the last decade.

County commissioners are elected to represent their constituents, and it makes sense they should be entrusted with the ability to determine if continuing to index the fuel tax is in the best interest of their constituents and infrastructure needs of the county. Another ballot question to allow voters to decide is a costly endeavor for everyone. Commissioners are in the best position to assess the needs and hear the concerns on both sides of the issue before making a final determination. We urge your support.

Chris Burke, Vice President and Regional Manager, Granite Construction:

I oversee our operations in northern Nevada and southern Nevada, so I am well versed on these revenue indexing items to support our communities. We are in strong support of it. Fuel revenue indexing is crucial to sustainability of our critical infrastructure projects, and that goes beyond just the roadways. It is all about safety, as you have heard. I am repeating or reiterating other people, but inflation and eroding revenue because of electric vehicles and more fuel-efficient vehicles is a real problem. That is why we are in strong support. Obviously, the county commissioners have been elected by their constituents and therefore are the best to represent those constituents on these types of matters. The bill is extremely important for our employees and the communities we work, live, and play in. Thank you for your time, and I urge your strong support.

Glen Leavitt, Director, Government Affairs, Nevada Contractors Association:

I represent over 450 contractors, subcontractors, and affiliated industry professionals, primarily in southern Nevada. The Nevada Contractors Association is in support of A.B. 359 and its ability to create jobs and continue to improve our transit and roadway projects in southern Nevada.

Peter Krueger, representing i3 Public Affairs:

I represent Nevada's fuel jobbers, the men and women who collect these taxes that we are talking about every day. To be brief, to quote Thomas Jefferson, "The government closest to the people serves the people best." We urge your support.

Zach Bucher, Government Affairs Officer, Government and Community Affairs, City of Las Vegas

We are here in support of this bill. The exponential growth in southern Nevada necessitates this action. This is good for infrastructure, good for transportation, and it is good for jobs.

Chair Backus:

Next, we will go to the phone lines. Is there anyone on the phone lines wishing to give testimony in support of A.B. 359?

Peter Guzman, President, Latin Chamber of Commerce, Las Vegas, Nevada:

I am also a member of the RTC Transportation Resource Advisory Committee, and a member of the Nevada Department of Transportation Advisory Working Group. Over the last several years, the Latin Chamber and our members have been keenly aware of the need to continue investing in transportation for all users and communities throughout southern Nevada. I am testifying today in support of A.B. 359, which would extend the fuel revenue indexing program we supported in the past, in order to sustain good-paying jobs and create opportunities to continue maintaining and enhancing mobility throughout our region.

On a personal level, this bill is now a matter of survival for the members of my community, who sometimes have no cars, or maybe one. Transportation is key for my community to get to their jobs, to their doctors, so for us it is a matter of survival at this point. I urge your support of A.B. 359.

Shaundell Newsome, Chair, Nevada Contractors Association, Diverse Contractors Council:

Small and diverse contractors of the Council support the annual increases, or indexing, of the fuel tax for the purposes of continuing infrastructure enhancement throughout southern Nevada. Investment in FRI has not only created new roadway projects throughout the Valley but has diversified the opportunity to small and diverse companies to expand their capability in the roadway construction arena.

Today, projects like the revitalization of Jackson Street in the historic west side in Las Vegas neighborhoods are funded through FRI, which activates one of the big moves of the HUNDRED [Historic Urban Neighborhood Design Redevelopment] Plan to improve the historic community. Indexing of fuel tax has enhanced the roads, enhanced small and diverse contractors' capabilities, and has enhanced the historic and newly developed communities in southern Nevada. Thank you to the bill sponsors and RTC of Southern Nevada for bringing the solution forward for roadway improvement and the enhancement of the lives of southern Nevadans.

Chair Backus:

Is there anyone else on the phone lines wishing to give testimony in support of A.B. 359? [There was no one.] Next, we will move to testimony in opposition to A.B. 359. Those wishing to give testimony in opposition, please make your way up. Begin when you are ready.

Janine Hansen, President, Nevada Families for Freedom:

I was not planning to testify on this bill but because there is no teleconferencing to Las Vegas, I felt I would go ahead and speak for the people in Clark County I represent. Many things have changed since the original vote of the people on fuel indexing. The price of gas has significantly increased. Inflation is now a significant factor. It appears that the reason for this bill is that they are afraid of a vote of the people.

There was a good case made today, a compelling case, for fuel indexing in Clark County. Sell that to the people and have an election. Do we believe in democracy or not? I wonder if the vote would have been as significant had people realized their vote would be taken away from them to vote on this important issue. Many things have changed.

Casey Rodgers, Private Citizen, Minden, Nevada:

I would echo exactly what Ms. Hansen just said. I am opposed to taking the vote away from the people.

Chair Backus:

We have made the phone lines available so anyone throughout our state can call in this evening due to limited space at the Grant Sawyer Building. With that, is there anyone else on the phone lines wishing to give testimony in opposition to A.B. 359?

Alida Benson, Executive Director, Nevada Republican Party:

I am testifying in opposition to A.B. 359 on behalf of the Nevada Republican Party. It has recently come to light that a dubiously legal practice of funding luxury cars for state and county government officials is happening on the taxpayer dime. Not many Nevadans get the perks of receiving an annual car allowance for their 2022 Audi A4 like officials in Clark County do. They may not have to worry about an increase in the gas tax, but regular Nevadans do. Clark County pays out about \$100,000 in mileage reimbursements to employees each year to complement their fleet of luxury Teslas for county employees—Teslas that do not pay a gas tax to support the roads they use. They have a spending problem, not a revenue problem.

The county commissioners have an important cap on their taxation powers for gas taxes. These proposed tax increases have to be noticed to the public and voted on. Many of those who testified in support said that county governments exist to represent their constituents. It does not seem their constituents are being represented very well if their constituents voted against this, and yet this would override the will of the voters. All of these people who listed the benefits to their bottom line should have no issue convincing voters of these same merits. This bill would provide yet another backdoor attack targeting our most vulnerable, fixed-income seniors, and minimum wage earners. This would remove the authority of voters to consent to taxes and replace it with fiat rule by the county commissioners who need merely authorize annual increases. This bill is entirely Democrat sponsored. Why then are the sponsors seeming to subvert democracy and remove the consent of the governed for this tax increase? For these reasons, the Nevada Republican Party strongly opposes A.B. 359.

Cyrus Hojjaty, Private Citizen, Las Vegas, Nevada:

We have raised taxes many times for the road. Where have they really gone? The CC 215 and US 95 interchange in Centennial Bowl is still under construction, and it seems like it has been a decade. Clark County already pays about 20 to 30 cents more in taxes than nearby Nye County. I want the people to have more power, and I want a larger audit of where these tax funds are going.

The state of Nevada is paying the second-highest gas prices in the country. We do not have the second-highest gas taxes. Pennsylvania has the second-highest gas taxes, yet they pay 50 cents less for gasoline than we do here in Nevada. Why? Because our main source of gasoline comes from California. If we want to address gas taxes, we have to address why we pay the second-highest gasoline prices in the country. In fact, during March 2022, when Ukraine was being invaded, most of the country went up 70 cents, Nevada and California went up \$1.50. There is some rigging going on. Address this issue first.

Furthermore, gas taxes are becoming more outdated. We are seeing the rise of electric cars, so therefore we should focus more on mileage and registration, just like they are doing in the state of Hawaii, except for the tourist areas.

Not to mention, the urban planning system in Las Vegas is among the worst in the world, with much of the traffic going to four to six lane roads, selector roads, arterials. These are the ones that are in between freeways and calm streets. We need to grow more responsibly and avoid building these types of developments because the revenue per capita is very low. Not to mention, I have not heard from the Legislature what caused the mass inflation in the last two years. Speaking of transit, bus systems are increasingly outdated. We need to move towards greater technologies. I spoke to the Clark County sustainability plan and move to something that is more about personal or group rapid transit, which is one of the latest technologies and gets far more bang for your buck. Other than that, please do not support this.

Chair Backus:

Are there any others on the phone lines wishing to give testimony in opposition? [There was no one.]

[[Exhibit E](#) and [Exhibit F](#) in opposition were submitted but not discussed and are included as exhibits of the meeting.]

Now, we will move to testimony neutral to [A.B. 359](#). Is there anyone in Carson City wishing to give testimony neutral to [A.B. 359](#)? [There was no one.] Is there anyone on the phone lines wishing to give testimony neutral to [A.B. 359](#)? [There was no one.] I know one of the presenters had to leave due to a conflict this evening. Mr. Thompson, do you wish to give closing remarks?

Danny Thompson:

I want to thank the Committee for your consideration and thoughtful questions. I think you can see, from the groups that got up here and testified in favor, how critical this need is and how much this is needed. Further, right now electric vehicles do not pay anything, and they are expanding in use. They are driving on the roads, tearing the roads up, and that is one of the problems with the gas tax we need to fix. Thank you for your consideration.

Chair Backus:

I will close the hearing on [A.B. 359](#). As I indicated, we are going to hear items out of order this evening. I will open the hearing on [Assembly Concurrent Resolution 7](#). I know we have someone who will be copresenting on this resolution who will be appearing remotely.

[Assembly Concurrent Resolution 7](#): Directs the Joint Interim Standing Committee on Revenue to conduct a study regarding wealth taxes during the 2023-2024 interim. (BDR R-698)

Assemblywoman Natha C. Anderson, Assembly District No. 30:

Thank you for allowing me to present [Assembly Concurrent Resolution 7](#). As we all know, our investments in our neighbors, our friends, and our constituents are essential for the strength of our state. In other words, our tax dollars are essential. We just heard a presentation about that, and whether or not we are in fact investing in each other and ways to

help each other. They fund things we love and we rely upon, from public schools, including our universities, to roads, to state parks, to firefighters, to hospitals, and to essential services that make our state wonderful. The way we raise these funds matters, and unfortunately Nevada does not collect taxes equally. As a result of this broken system, our state cannot adequately fund the supports and services our communities, our neighbors, and our children need to thrive and prepare for the future in an ever-changing world. Marco Guzman with the Institute of Taxation and Economic Policy will explain a bit more about Nevada's regressive tax structure with the PowerPoint [[Exhibit G](#)] that can be found on the Nevada Electronic Legislative Information System, and that I will also be going through.

Marco Guzman, Senior Policy Analyst, Institute of Taxation and Economic Policy:

Thank you for the opportunity to speak on the topic of Nevada's state tax system. We are a nonprofit, nonpartisan tax policy organization, and we conduct analyses and provide data-driven recommendations on how to shape equitable and sustainable tax systems.

In this presentation I will give an overview of Nevada's tax system, what it looks like, its impact on residents, and how wealth taxes can help add much needed progressivity and equity to the tax code. As you can see here [page 2, [Exhibit G](#)], most state tax systems are upside down, meaning they take a much greater share of income from low- and middle-income families than from wealthy families. This only worsens income inequality by making incomes more unequal after state and local taxes are collected. It may surprise some that states that are generally commended as being "low tax states" like Texas, Florida, and Nevada, are actually high tax for low- and middle-income families.

To get a better idea of this, let us take a look at Nevada's tax system. As you can see, this graph [page 3] shows the impact of Nevada's state and local taxes as a share of family income. You will notice that the tax structure is regressive, meaning that effective tax rates are higher for low-income households, but decrease as income goes up. We use effective tax rates because they help us measure a household's tax burden as they are calculated by taking a household's tax liability and dividing it by their total income. According to our most recent analysis of the tax systems in all 50 states plus Washington, D.C., Nevada ranks as the fifth-most unequal and regressive tax structure.

To get a better understanding as to why, it is first worth talking about the taxes that make up state revenue collections [page 4]. State budgets are primarily supported by three main tax types—income taxes, which include personal and corporate income taxes; sales and excise taxes; and property taxes. The last two are regressive taxes, with the sales tax traditionally being the most regressive tax because individuals are taxed the same dollar amount regardless of their income. An income tax with graduated rates, on the other hand, is based on ability to pay. As tax rates increase, incomes go up. All of the most equitable tax systems in our report and analysis include personal income taxes, which are progressive, though to varying degrees. There is no surprise, when looking at Nevada's tax structure, why you see it being so regressive as there is a high reliance on sales and consumption taxes, and necessities like groceries are included in the sales tax base. There is no income tax, and the state lacks refundable tax credits to help offset the other regressive taxes.

Recently Washington State, which in our analysis and report has the most unequal tax system [page 5], enacted a 7 percent capital gains excise tax that applies to profits over \$250,000, and does not include real estate or retirement accounts. The tax is expected to raise \$500 million annually. Last year, in Massachusetts, voters approved a Fair Share Amendment which creates a 4 percent surcharge on incomes over \$1 million. The revenue will specifically help fund education and transportation projects. In Arizona, voters approved the 2020 ballot measure that would have also added a surcharge to the top tax rate and applied to single filers earning over \$250,000 and joint filers earning over \$500,000. The legal challenges and the previous administration's efforts overturned the measure.

Policy reforms that include taxing wealth or high incomes remain as popular options for both lawmakers and voters, and for good reason. They will help introduce more progressivity to the state tax code, lessen extreme levels of economic and racial inequality, and generate new revenue to put toward important public services. It would be wise, at the very least, to explore the impacts of tax policy options that include taxes on wealth, thus ensuring Nevada takes the first step down a more equitable path toward broadly shared prosperity.

Assemblywoman Anderson:

There are a few more pieces of information I would also like to bring forward. There was a poll taken by the Tax Justice Poll, conducted in December of 2022 through January of 2023. Of the respondents, 50 percent were Democrats, 48 percent were Republicans, and 2 percent did not specify which party they were a part of. Although there were numerous tax-related questions, in the interest of time I would just like to bring up three. Sixty-six percent supported increasing taxes on the wealthiest individuals in our state. This support, when actually clarified that it would be billionaires, or even above \$10 million millionaires, went to 70 percent. Seventy percent believed that the wealthiest individuals in our state need to pay their fair share. In other words, the idea is for the ultra wealthy—not for the working class and not for the middle class. This is for the ultra wealthy to begin to pay their fair share.

When asked as to how to use these new funds, Nevada voters specified kindergarten through 12th grade [K-12] was almost 70 percent, affordable housing with more than 61 percent, and public health care was at 59 percent. The question comes across, why not just bring it forward as a constitutional amendment, because that is what would be needed? Why not try to automatically do that is the question? Why, exactly, am I trying to make it into a study? Mr. Guzman said the perfect verb, and that was "explore." The main issue is time, but more importantly we need to explore what that exactly means, and as a state we need to take this thoughtfully. We need to have a thoughtful conversation across the aisle. This is not one party or another party. This is not one house versus another house. This is about having a thoughtful conversation, not just during a legislative session. We need to consider what it would be to implement this.

As I started to bring this forward, I started going down a rabbit colony of what exactly constitutes a wealth tax. How much would that be? What would the percentage be that we would need to utilize? Is there a difference between an inheritance tax and an estate tax? What about a capital or an unrealized gains tax? What exactly does this mean, and how

exactly would this be defined? Our Legislative Counsel Bureau (LCB) staff was wonderful with discussions, but every question I asked created three more. Instead of trying to just do one thing really quickly, let us take our time. Let us study this over the interim. Let us bring forward a thoughtful approach.

If you look over the resolution, you will see these items are actually mentioned. First, we have preamble, and on the backside are the questions that will actually be included: How many states currently utilize a wealth tax? How much money does a billionaire in tax really mean? Is it for the people who earn that money, or is it for the people who inherit it? Do we include those other items? There are so many other questions we need to have and we need to ask. We need to take this thoughtfully. In other words, this is not a one-and-done answer. Instead, we should have a thoughtful, engaging discussion, again from both sides of the political aisle, as well as from both sides of our legislative houses.

I would like to end with something that is actually stated on the preamble—page 1 of the bill, line 11.

WHEREAS The State must ensure that its wealthiest residents are sharing equitably in the responsibility of funding governmental services in this State.

Equality, responsibility, and funding governmental services—are we doing this? Quite frankly, it is time for us, as elected officials, to take a careful, thoughtful study of our system and address the wealth inequalities created by it. Thank you for your consideration, and I am happy to attempt to answer questions.

Chair Backus:

Thank you for your presentation. We will start with Assemblyman Hafen.

Assemblyman Hafen:

I do have a couple of questions. I will start with hopefully the easiest one. On line 1 of the resolution, this refers to studies, however those studies have not been provided to us today. I was hoping that possibly could be provided, so we can actually see where that study is coming from, or if there were multiple studies, I would like to actually see those before this came to a vote.

Second, this comes from page 3 [[Exhibit G](#)], I want to discuss the chart. You discuss the total state and local taxes in Nevada. If you look at the lowest you are claiming that they are paying 10.2 percent of an effective tax rate. I am struggling with that. Right now, sales tax is roughly 8 percent. Groceries are not taxed. Rent is not taxed. At that \$20,500 income level, people are qualifying for Medicaid, SNAP [supplemental nutrition assistance program], as well as a number of other benefits through the state. I am curious how we get to a 10.2 percent effective tax rate when they are eligible for a number of assistance programs throughout the state and our sales tax is only at 8 percent. I should say Clark County is slightly over 8 percent and the rest of the state is under 8 percent. Could you clarify the 10.2 percent and how that is calculated?

Assemblywoman Anderson:

Mr. Guzman, would you like to explain that?

Marco Guzman:

The effective tax rate, as I mentioned, is calculated by calculating an individual's total tax liability and then dividing that by their total income. I think the issue is mainly the sales tax and how the state depends primarily on the sales tax for revenue, and its impact on low-income families. As an example, let us say you have an \$8,000 income, but you pay \$2,000 in taxes. That is 25 percent of your total income. I think that is really striking and not a lot of people quite understand the effect on people's income, that effect of taxes on people's income. Also, low-income families spend a lot of their income, primarily almost all of it, on items that are sales taxable. That is why you see the regressive nature of this state tax system, and especially the sales tax.

Assemblywoman Anderson:

To the first question, we will provide you with those studies that have been done.

Assemblyman Hafen:

Thank you, but my actual question was not answered. I would like an answer to the question, if possible. It makes absolutely no sense to me that we are showing an effective tax rate of 10.2 percent when you are claiming that sales tax is regressive, which we may or may not agree on here, but sales tax in Clark County is at 8 percent. Please explain to me how it is that this graph [page 3, [Exhibit G](#)] was derived and mathematically calculated to be higher than sales tax when that is the number you are using?

Chair Backus:

I am going to jump in. I think there is confusion over page 3 [[Exhibit G](#)]. The title is the "Share of Family Income," and I do not think it is suggesting an actual tax.

Assemblyman Hafen:

I just want clarification for the record because it is very confusing to me, that what they just stated is they are talking about sales tax and the effective tax rate. I would like an explanation as to how these numbers were actually calculated because the math does not add up to me.

Assemblywoman Anderson:

If I am understanding you correctly, what you are asking for is exactly how the study was done, as to the different taxes. Is that what you are asking for?

Assemblyman Hafen:

Yes. I would like to know how you came up with an effective tax rate of 10.2 percent when groceries, rent, and health insurance are not taxed, because at \$20,000 per year you are collecting Medicaid, and sales tax in the highest tax county is only 8 percent. To me, the math does not add up. I would greatly appreciate an explanation of how it is possible to get an effective tax rate higher than the actual rate.

Assemblywoman Anderson:

Mr. Guzman, would you like to explain where the information comes from again? If not, I am happy to sit down with you, or the three of us could also meet if you would like.

Marco Guzman:

I will say briefly, for this report we compiled the tax liabilities of personal income taxes, corporate income taxes, sales and excise taxes, and property taxes. Within those broad categories we have slotted the state's various taxes into those different buckets and determined their tax liability based on that. This 10 percent figure is not just indicative of the impact of the sales tax. It is indicative of all the taxes in Nevada, and how they impact folks in the lowest income bracket. I am happy to share our methodology again, sit down and speak further about this.

Assemblyman O'Neill:

I want to build a little on what Assemblyman Hafen said on taxes. I have read and have heard repeatedly, and I would probably agree that sales tax is somewhat regressive to the lower incomes, but Mr. Guzman, in your factoring on page 3 [[Exhibit G](#)], and maybe it will be clarified when we get your material, but we have a very strong tourism industry here in Nevada. I am not sure where you are located, and what information you may have, but they probably pay a good percentage of our sales tax. That is one reason why the state historically has looked at sales taxes to let the tourists pay for that. That also includes things such as room tax, et cetera. Part of that 10.2 percent, your descending numbers there, were any tourist dollars factored into your numbers?

Marco Guzman:

I cannot answer that specifically. Likely, they were not. This focuses primarily on the residents of Nevada and the impact on them specifically. You are correct that a portion of the sales tax is exported out, to out-of-state residents, who come in and purchase things in the state, but this specific report focuses specifically on Nevada residents.

Assemblywoman Anderson:

I appreciate your bringing up the tourism area, because I do think we also need to do that sort of study, or what sort of impact tourism has on our tax structure. Although that is not mentioned, and is outside the purview of that, I do think it is an important thing for us also to consider, with a long conversation that could happen over the interim. I do think that is one more element and why we need to have a conversation, and not just automatically, "here it is," because that sort of variable is very important for us to know about in our state, and how we attract individuals to our state for that very reason. That is why I am trying to get this as a study, or a way for us to discuss it, because those elements also need to be considered.

Assemblyman O'Neill:

I think the discussion on tourism paying sales tax has been had for several years now, and why we are where we are to some extent. It was mentioned by Assemblyman Hafen, things like groceries and the variety of necessary elements we all have to buy, at whatever income we may have, is the same. If I buy a carton of eggs, I am paying the same price as someone

who may earn considerably less money than I do or considerably more money than I do, but that is tax exempt. I have personally gone out with friends of mine who earn considerably more than I do. They will buy items that cost considerably more, such as a vehicle. They will buy a higher-priced vehicle than a used, lower-priced vehicle, that you would pay a different tax on. That is part of that discretionary spending. I am just confused by some of your numbers. Those earning less income are not forced to buy a higher-priced vehicle and pay that higher tax, just as I am not. I usually buy a used vehicle so I can get it for a lesser price and pay lower taxes. It gets back to the discretionary spending. That is what we are really doing with our sales tax. We make choices on what we buy and how we are going to pay for it, and in turn that tax. I do question your numbers. I look forward to seeing how you factored in some of the things we have just discussed. If I am not mistaken, the Arizona tax you mentioned was actually run by an education group to fund strictly education alone. It was not a generalized tax to bring in more revenue. I am looking forward to those numbers. I am disappointed you did not bring in some of those expenditures by tourism to your numbers.

Assemblywoman Cohen:

Can you get into the study, for people who might be watching and who are not familiar with how we do things in the interim—what those meetings are like and the accessibility for the public.

Assemblywoman Anderson:

I might need help from the Chair with this because I have only served one interim. What happens is the committee would meet, and it would be members of both parties, as well as appointed members—appointed by our chair as well as our minority leader from the Assembly—and then also the same thing on the Senate side. This would be a group of 12 to 15 people, who would meet every other month or so. There would be an agenda set by the chair. During those studies we would be able to actually create or discuss these items. This would all be done very similar to the Legislature, where it is open meeting such as this. People are able to come in and watch things. They are able to question as well. It is structured in the same fashion, but again I have only served one term and we were still working through a little bit more, so I did not know if Legal also wanted to add more, or if other people who have more experience would like to add more to that.

Assemblywoman Cohen:

It is a chance to spend more time addressing the issues, not in the rush of 120-day session. As you said, it is agendized, open to the public, and people can call in, make comments, can come to the Grant Sawyer Building, or come here and continue to participate in those meetings.

Assemblyman Gray:

Thank you for wanting to have the discussion. You touched on something that drives me up the wall every time I hear about it—equal tax share, fair tax share—things like that. Let me tell you, I am nowhere near that top 20 percent bracket. Dollar for dollar the top 15 percent, that whole group, they spend more in sales taxes. They have a lot more disposable income.

They provide jobs. They pay taxes on their businesses in most cases. They usually take nothing from the system. They have their own health care. They have their own retirements. They have all those things. What on earth leads you to believe it is not equal? I would counter that it is wholly unequal because they get nothing in return for the money they do spend in taxes.

Assemblywoman Anderson:

I would disagree with you to an extent. I do believe that many of the individuals who are making the billion dollars have 90 percent of the time inherited that, and also have not been in fact always investing in our state as much as we need them to help. When we look at some of the federal guidelines, we have seen billionaires say, "Why is my legal secretary having to pay more in taxes than I do?" It is that idea. It is why this is being brought forward. It is based upon the survey, as well as others, which basically state we need to start figuring out how to expand our revenue sources. We need to stop depending upon one or two industries and start really looking at each other. Are we truly helping each other? This is one way to do so. Again, this has to do with discussion. Are we truly helping each other? The people who have inherited money, who make the decision to stay in our state, which we love that they do, but the perceived to be 27 people, that 2 percent, do you know how many schools that could build? How many roads that could help us with? How many police officers, firefighters, and we can continue on with that "what if" situation. Until we actually have a discussion, it is just going to be a "what if" world, and at some point we need to start doing something, and this is a chance for us to do so.

Assemblyman Gray:

What if these people then decide to take themselves and their businesses to another state that is more tax friendly, and they take those jobs with them? Why do we not look for other ways to encourage business, cut taxes, take advantage of economies of scale, and do things that will actually encourage other people to get wealthy, provide jobs, buy more things, and keep it spinning that way instead of really penalizing those who have done well. Even if they have inherited it, somewhere along the way somebody worked hard for that money. That is their nest egg. I would still say those people are probably giving back more than they are taking. They are not partaking in a lot of the public services. They are spending more on their cars. They are paying more in sales tax on one item than most of us make in a year.

Assemblywoman Anderson:

Quite frankly, we are already doing that, and those items have been with the Office of Economic Development, Office of the Governor (GOED). We are already investing in many of these companies. We are already doing this as a state, and it has been very helpful. I do not want to make it sound like it has not, but we continue to have issues around helping us invest in each other. We have to have discussions. There is nothing wrong with our having a long, deep-dive discussion. This resolution does not actually create it. This resolution is having us have the discussion so people can have a different opinion, and we can sit down and talk about it. At this time, we continue to talk about it in our restaurants, with our

neighbors, and with our friends. That is what this is about—our having a discussion, not automatically saying, "Yes, we are going to do it," or "No, we are not going to do it." This is a chance for us to consider it. That is all this is asking to do, with this study and with this discussion, over the interim.

Chair Backus:

I know people may be looking at our minutes or looking back at this hearing, and since there was a lot of discussion about the standing committees last legislative session, for the record I want to make sure we are aware of *Nevada Revised Statutes* 218E.320, which was the creation of our Joint Interim Standing Committees. It changed slightly last session in that each committee would have eight regular members and five alternate members, and the way those members are selected is set forth in that statute. With that, we will hear from Assemblywoman Gallant.

Assemblywoman Gallant:

Coming from somebody who left California for some of the similar thought processes, they have all gone to Florida, and Texas, and have come to Nevada a little bit. I think this appears misleading. I keep hearing impact. Are these numbers based on how much a person makes? Are they paying 10 percent of their income on sales tax? Am I reading this correctly? [Assemblywoman Anderson indicated no.] So, you are stating that they paid 10 percent of the tax collected in Nevada? I want to make sure what we are measuring first.

Assemblywoman Anderson:

Are you looking at page 3 [[Exhibit G](#)]? [Assemblywoman Gallant held up the PowerPoint to show page 3.] I am going to have Mr. Guzman discuss that.

Chair Backus:

I am going to interrupt because this is the third time this question has come up. I am sure Assemblywoman Anderson and Mr. Guzman would be happy to sit down and explain to those members who have questions how the source of family income [page 3, [Exhibit G](#)] was derived. Let us move along.

Assemblywoman Mosca:

I appreciate that this is a study so we can figure it out. I actually think you might have answered it, but in your research were you able to see how many people this would impact?

Assemblywoman Anderson:

I am more than happy to meet individually, or even with the entire Republican caucus if you would like.

From the understanding of a few individuals who have looked into it, the numbers have ranged between 17 and 27. Just to put that in perspective, my smallest class last semester was 33 students. I have more students in my first period class of six classes than there are billionaires in our state, and yet they would help us in many ways.

Chair Backus:

Thank you so much for your presentation. We will move on to testimony in support of A.C.R. 7.

Chris Daly, Deputy Executive Director, Government Relations, Nevada State Education Association:

The Nevada State Education Association (NSEA), the voice of Nevada educators for over 120 years, is in support of A.C.R. 7 to direct the interim revenue to study wealth taxes. For decades Nevada has ranked near the bottom of states in education funding and quality. In the 2021 Quality Counts report from *EducationWeek*, Nevada dropped to forty-ninth in school finance, and tied for forty-ninth in the Overall Chance for Success Index. We know Nevada has the largest class sizes in the country, a direct result of chronic underfunding. We know there are thousands of educator vacancies related to not paying educators enough.

In 2019, the Legislature created the Commission on School Funding and tasked that Commission with studying what it would take for Nevada to reach optimal funding in the next ten years. Accounting for historic increases to K-12 funding recommended in the Governor's Budget [*Executive Budget*] for this upcoming biennium, Nevada would still need to raise an additional \$2.6 billion per year to reach optimal funding by fiscal year 2033, as determined by the Commission on School Funding.

In response to the Governor's budget recommendation, NSEA has been asking, "Now what?" In future fiscal years Nevada is unlikely to have the record revenues we have seen in the last couple of years. This is why it is still necessary to pursue revenue streams for public education and other critical public services. Last year NSEA served nearly 700 educators across the state, asking them to rank nine possible proposals to raise revenue for public education. A wealth tax was by far the most popular of the proposals. It had an average weight of 4.35 out of 5. Increasing the sales tax, on the other hand, received the lowest rating of 2.4 out of 5. Educators, like most Nevadans, are more likely to support more progressive revenue proposals. We strongly encourage that Nevada joins other states in pursuing a wealth tax, to make sure those with the most resources share equitably to fund governmental services [[Exhibit H](#)].

Maria-Teresa Liebermann-Parraga, Deputy Director, Battle Born Progress:

We strongly support this resolution and thank Assemblywoman Anderson for bringing it forward. This is not about taxing hardworking Nevadans. It is about understanding wealth and figuring out how those who may not be paying their fair share do so, because this is a systemic problem that both the national levels and state levels need to figure out. Now, I am not wealthy, but when I filed my taxes just a few days ago I paid less in taxes than my mother, a housekeeper. People who have their wealth tied up in the stock market pay even less. I would like to think someone who cleans 16 hotel rooms on the Strip for over 25 years contributes just as much or more to this state than someone who makes more, but pays less in taxes than her. Now, that is not equal.

Sometimes we like to make fun of California, even me at times because I am from there, but when I was there, I had much better schools. I had parks nearby. I had better roads when I was in San Diego as a kid. Maybe we should take note. The questions and comments, not only in this Committee but throughout this building this session on how we pay for this or how do we pay for that and making sure it is not on the backs of hardworking Nevadans is why we need this study. If we want to stop being last in education funding, one of the worst states for health care, and all the other bad lists, we must support this resolution. Pass A.C.R. 7.

Tessyn Opferman, representing Human Services Network; and Nevada Women's Lobby:

Day after day at the Legislature you are faced with challenging conversations and difficult decisions when it comes to allocating limited funds. Do we allocate money to state jobs to address our state employment crisis? Do we allocate money to schools to make sure our students are able to learn in a positive and effective environment and our teachers and support staff make livable wages? Do we attempt to raise reimbursement rates and address a failing health care and mental health care system? We spend hour after hour dividing and subdividing a pie when, really, we need to think about the pie as a whole. At the end of the day, all the pots need more funding—schools, health care, state workers, parks, roads, and social support systems. We need to increase the pot as a whole, and to do that we need all Nevadans to pay their fair share.

We support A.C.R. 7 as an important step to ensure the state's wealthiest residents are paying a fair and logical amount in taxes. Our tax base should not be dependent on the lowest- and middle-class wage earners. We need to be collecting appropriate taxes from the entirety of the state base. This study will open the conversation so we can dive more deeply into the numbers and better understand the path forward for Nevada.

Carter Bundy, representing American Federation of State, County and Municipal Employees International:

The American Federation of State, County and Municipal Employees also encourages you to support A.C.R. 7 and thanks the sponsor for bringing it. State employees, as many of you have heard over and over this session, have been 20 percent to 30 percent behind county and city workers. We are well behind other states' employees, and that has resulted in 20 percent to 30 percent vacancy rates to provide core services that I believe every legislator in both chambers in both parties believes in, from public safety, infrastructure, health and human services, taking care of our kids, and education. You do not get something for nothing. The money has to come from somewhere, and rather than increasing the tax burden on lower-income and middle-class Nevadans, I think it is fully worth at least exploring and studying whether there is another way to make sure that the billionaires, who I would argue do very much benefit from the public services in this state, whether their kids are going to schools, they are driving on our roads, or they are taking advantage of a workforce that relies on public dollars for training, whether it is in school or workforce training, those are tax dollars that help our richest Nevadans. I hope you will consider supporting A.C.R. 7 so we can diversify revenue streams and fully fund all the services that Nevadans need.

Kent M. Ervin, Ph.D., State President, Nevada Faculty Alliance:

Ditto to what some of the other speakers have said. I would like to discuss the fact that Nevada's tax structure is very volatile. It is focused on a few kinds of taxes and a few major industries, and that makes it very volatile. During the Great Recession and during the pandemic, Nevada had some of the deepest drops in state revenue among states. What happened then? Cuts had to be made. State government is largely about the employees who serve the public in the state, including higher education, but also all the other employees, so many of the immediate cuts fell on state employees. Those are hard to bring back. We are trying hard. We appreciate what the Legislature is trying to do this session to correct the state employee crisis in the state. Part of the underlying reason is the volatility of our tax structure in the state. It makes sense to study other ways we can bring in revenue from different kinds of sources, like this wealth tax idea. It certainly makes sense to study that. We support A.C.R. 7.

Chair Backus:

We will now go to the phone lines. Do we have anyone on the phone lines wishing to give testimony in support of A.C.R. 7?

Matthew Wilkie, Private Citizen:

I would like to thank Assemblywoman Anderson for bringing this resolution forward. Many of the things I hear when I come home from working a shift and watch these meetings on YouTube, when I hear opposition is, "Where is the money? Where is the money? We do not have the money." I think we may have found it. I urge your support for this resolution.

Roberto Renteria, Private Citizen:

[Testifier spoke in Spanish and there was no interpreter available.]

Robert Garcia, Economic Justice Organizer, Make the Road Nevada:

I am here to show my support for A.C.R. 7, which is a study that can bring amazing potential to our state. Every day I see members of our community struggling to make ends meet and when I go out looking for resources for them, either they have very limited or no funding available. Nevada prides itself on not having any income taxes, but that also means there are very limited sources of revenue. This study will allow the Joint Interim Standing Committee on Revenue to learn more about the potential of wealth taxes and how they can uplift Nevada. More revenue can help fund public programs, like education, welfare services, and more, without hurting the pockets of low-income, working-class, and middle-class Nevadans. Tax breaks and abandonments for aviation, data centers, capital investment, groups like Tesla, and the Las Vegas Raider's Stadium are taking away billions of dollars that could be used for funding public education and other public services. I urge you to support A.C.R. 7, to create better pathways for revenue and help uplift and help all people who live in our state.

Elyse Monroy-Marsala, representing Nevada Public Health Association:

The Nevada Public Health Association supports this study that would look at bringing in new sources of revenue to support social programs, hopefully including public health programs in Nevada.

Chair Backus:

Is there anyone else on the phone lines wishing to give testimony in support of A.C.R. 7?
[There was no one.]

[[Exhibit I](#) in support was submitted but not discussed and is included as an exhibit of the meeting.]

We will now move to testimony in opposition to A.C.R. 7 here in Carson City.

Janine Hansen, President, Nevada Families for Freedom:

We do not want anybody's taxes to be increased. Assembly Concurrent Resolution 7 lays the foundation to raise taxes. The purpose of it is to expand revenue. We do not have a revenue problem; we have a spending problem. We do not want more government or to grow it. Of course, people support the opportunity to take other people's money in taxes and not their own. That is just obvious. We do not want additional services. There will never be enough money for government. One concern I had was the statement, "what is their fair share." That is a scary idea when we have no definition. The resolution talks about equitability. That is a concerning word because it does not mean equality. It does not mean it will be based on an equal basis, but what somebody else thinks that somebody has. If it were more, they would like to get it. That is a poor word and a scary word when you consider what their fair share would be. We do not want to chase wealthy individuals out of our state. They provide jobs and other economic opportunities for those who do not have the money to do that. Most European countries have concluded that wealth taxes are economically harmful and fiscally counterproductive. European countries imposed wealth taxes in 1996, but only three do today. They found out that it is not productive for their communities, for their states, to impose taxes on the wealthy. We encourage you to help the middle class by cutting taxes and regulations in government, and we will all benefit from the increase in taxes that they will pay when you cut the initial taxes.

Chair Backus:

We will now go to the phone lines. Is there anyone on the phone lines wishing to give testimony in opposition to A.C.R. 7?

Casey Rodgers, Private Citizen, Minden, Nevada:

I absolutely oppose this, and I am going to speak very frankly. As somebody who has studied sociology, I have to tell you right now that everything that is happening is done by design. You could say COVID-19 had two major goals—one was to kill, take away civil liberties and rights, and the other was to finish off the middle class. You know how many small businesses were killed because of this? When you start seeing the pattern and the puzzle come together, you should recognize when bills like this come forward it is really socialism. This is what they want to do. They want to study how much money they can take from other people and give to others. This is exactly what socialism is—take from some, give to others, and what better way to see how much money they can take from billionaires. When you say that it is not fair, I can tell you right now billionaires and millionaires spend more money than any of you have in taxes, and that is for sure. When you say it is not fair,

I think you are misinformed. The last thing I would say, to a couple of your questions on your poll, I would like to know who took that poll? What age group? Were they university students where they are indoctrinated with this kind of ruffraff? Was it a political party? You said it was different political parties. I would like to explore how you are polling people because I can tell you right now, America wants to stay America and the Democrats are trying to take it into something else.

Jim DeGraffenreid, National Committeeman, Nevada Republican Party:

I am in opposition to A.C.R. 7. Instead of working to reduce the tax burden on hardworking Nevadans, Democrats in this body are once again trying to push through a tax the rich scheme under the guise of a wealth tax study. Assembly Concurrent Resolution 7 cites the continuous population growth of Nevada, but a significant part of that growth comes from California residents fleeing the high-tax policies of California. California has lost population every year since 2020, and in fact enough Californians have fled to cause a loss of a congressional seat for the first time in their history. How many of these Californians would Nevada attract with a wealth tax? Perhaps those productive future Nevadans would instead choose Texas or Florida, both of which have education systems ranked in the top, to complement their lack of income and wealth taxes. Does Nevada really want to put ourselves in the position of encouraging productive residents to live somewhere else? Assembly Concurrent Resolution 7 recycles the tired, misleading, and dishonest talking point that wealthy individuals do not share equitably in the responsibility of funding governmental services. The Internal Revenue Service (IRS) data proves the wealthy individuals, on the contrary, pay far more than their fair share, while the top 1 percent wealthiest taxpayers receive 20 percent of income, they pay 40 percent of all taxes. It is fundamentally unfair to further tax these individuals a second time on wealth after they pay 40 percent of their income in taxes generating that wealth.

Assembly Concurrent Resolution 7 paints an unrealistic picture of the revenue that could be generated by targeting a minority of voters who have a choice to either stay, or pay, or not. Instead, it should ask how many productive Nevadans would permanently leave for a state with no wealth tax, and then who would pay these taxes. It is telling that the Democrats seek to punish success rather than trying to reduce the regressive tax burden on low-income Nevadans. Republicans have consistently advocated for sales tax holidays on school supplies to help working families, a reduction of sales tax for Nevadans to register the car with proof of insurance and stopping the army of IRS agents targeting tipped workers. The Democrats are silent on all these issues, and more, that would stand up for hardworking Nevada families. Please reject this resolution that will cause Nevada to repeat the failures of California and the other excess tax states mentioned earlier.

Alida Benson, Executive Director, Nevada Republican Party:

I am testifying on behalf of the Nevada Republican Party in opposition to A.C.R. 7. We included in our written testimony a throwback picture of Nevada [[Exhibit J](#)] we hope you will look at. It shows Nevada with no income tax, no sales tax, and no tax in general, being touted as a point of pride. This picture is from 1949, but there is no reason it cannot become a reality today. Instead of trying to reduce the tax burden on the working-class Nevadans,

Democrats in this body are once again trying to push through an income tax. This resolution cites the continuous population growth of Nevada. A significant part of that population growth comes from California residents fleeing the high tax policies of California. Why would they come to Nevada when we emulate the failed policies of the state they are seeking to leave? This resolution seeks to look at the potential revenue that could be generated by targeting a minority of voters. Why does it not study how many high-income Nevadans would permanently leave our state if this were passed? Democrats in this body, who consistently advocate for the greater good, seem to forget that the smallest minority in the world is the individual. The tax on a millionaire today is a tax on the tipped worker tomorrow. Let us return Nevada to the picture above [page 1, [Exhibit J](#)], and throw any hint of an income tax into the shredder where it belongs. Please vote no on [A.C.R. 7](#).

Cyrus Hojjaty, Private Citizen, Henderson, Nevada:

I would like to thank the sponsors for bringing this very important issue. Income inequality is out of control. This is our main economic problem. Much of the wealth is going to the very few large corporations and wealthy individuals. Progressive taxation has a lot of benefits. A lot of economic out [unintelligible], and by the way I am very surprised I am not hearing much from the culinary union or PLAN [Progressive Leadership Alliance of Nevada], believe it or not.

There are some concerns when you have very high taxes. Lots of people move away and growth starts to slow down. Up until the 2000s Nevada was the fastest-growing state. Today we are no longer in the top ten. I am also a refugee from California and unlike some people who testified in support, who come from San Francisco, and you could see what a mess these cities have become.

The fact is that people flee the high tax areas and money follows. I would actually support this bill if you were to lower other taxes because we have constantly raised taxes in the name of education, sales, marijuana, commerce, mining, and what is our ranking? Where have we gone? In fact, we can just eliminate sales taxes except for the tourist areas. We could make the same argument about gaming taxes; we are the lowest in gaming taxes in the entire country.

I have about 13 years experience in the stock market and did remarkably well. Is this wealth tax going to impact me? My wealth is projected to increase over time. I want to start a company here. I would urge you to reconsider this resolution. If you are going to increase our taxes, lower others, otherwise growth is going to fail, the construction industry is going to decline, and we might be on the path of becoming the next Detroit.

Theresa DeGraffenreid, Private Citizen, Gardnerville, Nevada:

I am speaking for myself, on behalf of myself. I am opposed to [A.C.R. 7](#), not because I am rich and want to cheat the state of Nevada out of taxes that are due. I am not rich now, nor have I ever been. My parents were lower middle class, both working in a time when mothers never worked outside the home. It sickens me how jealous people are of the rich. Though my parents were poor by some standards, they always taught us to reach for the stars and not

to be jealous of others because of what they had. They wanted us to reach for the stars and become rich ourselves. Proposing to tax rich people into oblivion is not where we should be headed. We need to encourage new business to come to our state and encourage people to bring their wealth to our state, so they do not go to another state to make their wealth. We need to find other ways to make money for the state. Like another person said, we have a spending problem, not a money problem. Vote no on A.C.R. 7.

Chair Backus:

Is there anyone else on the phone lines wishing to give testimony in opposition to A.C.R. 7? [There was no one.]

[[Exhibit K](#), [Exhibit L](#), and [Exhibit M](#) in opposition were submitted but not discussed and are included as exhibits of the meeting.]

We will now move to testimony neutral to A.C.R. 7. Is there anyone in Carson City wishing to give testimony neutral to A.C.R. 7? [There was no one.] We will move to the phone lines. Is there anyone on the phone lines who wish to give testimony neutral to A.C.R. 7? [There was no one.] We will invite the bill sponsor back for closing remarks.

Assemblywoman Anderson:

Thank you again for having this hearing. I greatly appreciate it. During the opposition there were a few questions I wanted to answer. One of them had to do with the age breakdown of the survey I was utilizing. There were 64 percent who were over the age of 40, self-reported. There was also a question about the income rates. There were 58 percent who self-reported income of \$75,000 or more, that they make in a year. I just wanted to also say I heard the opposition. I wanted to make sure that everybody also had that other information. Obviously, I am more than happy to meet with anyone about questions they may have.

Chair Backus:

I will close the hearing on A.C.R. 7 and open the hearing on Assembly Bill 445. Assemblywoman Newby, please feel free to start when you are ready.

Assembly Bill 445: Revises provisions relating to the mental health of children. (BDR 32-1004)

Assemblywoman Sabra Newby, Assembly District No. 10:

Thank you for the opportunity to present Assembly Bill 445. In October 2022, the United States Department of Justice (DOJ), Civil Rights Division, issued a report [[Exhibit N](#)] on their investigation of Nevada's use of institutions to serve children with behavioral health disabilities. In short, the DOJ found that "Nevada does not provide its children with behavioral health disabilities with adequate community-based services. Instead, Nevada relies on segregated, institutional settings, like hospitals and residential treatment facilities, to serve children with behavioral health disabilities." I highly recommend you read the DOJ report, but if you have not, prepare yourself.

The DOJ report chronicles the cycle of helplessness. Without community-based services, children get sent to the emergency room for behavioral health issues. After several of those visits, the children then get sent to residential for at least nine months, and often over a year, and often out of state. Bouncing between facilities, children can cumulatively spend years away from home. Parents report that they want access to community-based services to keep their children from being institutionalized, but feel they have no choice because the services simply are not there. The DOJ even documented parents relinquishing their children to the child welfare or juvenile justice system based on the belief that children receive more services through these public systems. Imagine being a parent and needing to make that choice.

Reading this report, my disappointment in Nevada's mental health services turned to anger over abject failure in supporting these children. In that moment I remembered a line I have always loved from an Ani DiFranco song, "Every Tool is a Weapon if you Hold it Right." Assembly Bill 445 does just that, by taking some of our traditional tools we have used in Nevada and repurposing them to help solve this crisis in children's behavioral health. These include Office of Economic Development, Office of the Governor (GOED) tax abatements, Nevada Educational Choice Scholarships (Opportunity Scholarships), the Nevada State Infrastructure Bank, and the regulatory process.

I will go through the bill and talk a little bit about how it does that. First, A.B. 445 takes the tax abatements traditionally used by GOED and applies them to businesses that provide mental health services for children. Sections 1 through 4 of the bill outline much of the same process that GOED currently follows, with a few key differences. Instead of the tax abatement process starting with the local economic development organizations, like the Las Vegas Global Economic Alliance or Economic Development Authority of Western Nevada, the process starts with the two largest counties—Clark County and Washoe County—or the Department of Health and Human Services (DHHS).

Also, A.B. 445 replaces the relatively open recruitment of businesses with a specific list of services that must be provided, which can be found in section 1, subsection 2, paragraph (h). Finally, section 1, subsection 13 allows the business that has successfully received a partial abatement to apply to DHHS for a cost-based reimbursement rate, which is the tool that is currently applied to the Nevada certified community behavioral health centers.

The second tool that A.B. 445 uses is taking the first part of the process established for the Opportunity Scholarships and repurposing it to generate additional funding to support Medicaid rates for children's mental health. In section 5, those of you familiar with the Opportunity Scholarships will recognize the process by which businesses can donate to a fund to receive credit against the modified business tax (MBT). In A.B. 445 this account, created for this purpose, is the Account to Improve Mental Health Services for Children, and businesses work not with the Department of Education, like an Opportunity Scholarship, but with DHHS. The cap on donations in A.B. 445 is \$5 million. I am okay with that, but I would also like to see the cap for children's mental health services mirror the cap for Opportunity Scholarships, which in fiscal year (FY) 2023 was \$6,655,000. Also, though

I have not been able to speak with the Division of Health Care Financing and Policy regarding this, my hope is that these funds, once collected, would be eligible for the federal Medicaid match.

Third, section 9 of A.B. 445 clarifies the definition of social infrastructure to include facilities providing mental health services to our children, so that the Nevada State Infrastructure Bank would be a clear possible use of funds. To be clear, in speaking with the Treasurer's Office, they believe that mental health facilities would fall under that definition now, but A.B. 445 makes it abundantly clear.

Finally, A.B. 445 requires DHHS to review regulations, to ideally streamline the licensing process, to further encourage service providers to locate or expand in Nevada. Often when governments are looking to encourage new businesses, they take a look at what regulations or red tape may be making it difficult for businesses to locate there. Based on the feedback from stakeholders, streamlining the application process for facilities with multiple kinds of services and ensuring continuity of these services was an area we believed we could improve upon. That is an overview of A.B. 445. I would be happy to answer any questions, or phone a friend.

Chair Backus:

Thank you so much for your presentation. We will begin with Assemblywoman Mosca.

Assemblywoman Mosca:

Would this apply to both nonprofits and for-profits? Does it also include those that are already in our state, or is it abatements for out of state?

Assemblywoman Newby:

There are a mix of options in this bill. Some of these abatements are really targeted toward private-sector providers, and some of them are for nonprofit. For example, the tax abatements that come through GOED would be for a private-sector provider because nonprofits do not necessarily pay the taxes. Likewise, for the Nevada State Infrastructure Bank, I believe that is only open to government and nonprofit entities. There is a mix, understanding that there are for-profit providers, nonprofit providers, and governmental providers.

The second part of your question, whether it is for in state or out of state, I am really looking at both. In my research about mental health providers, I found providers in other states who have multiple locations and branches. It would be trying to attract some of those, as well as encouraging providers that are already in our state to perhaps expand.

Assemblyman Orentlicher:

I love the philosophy of this bill, to try to use all these tools. This is great creative thinking. The question I have is on the incentives for for-profit programs. There are a number of areas

within social services where the move from not-for-profit to for-profit has not worked so well. Do we have to worry here? I do not know enough about for-profit providers in this area. Is this cause for concern that we will have shift from not-for-profit to for-profit?

Assemblywoman Newby:

I understand that, and it concerns me as well. When I was looking at the DOJ report though, and as long as I have been in this building, in any number of different capacities, we have really failed at mental health services. In my mind it is a four-alarm fire, and whether it is nonprofits or for-profits, I think we need to get those services here. Now, I am anticipating that because the application for those for-profit tax abatements would come through the counties, the counties or DHHS would do that vetting and then submit them to GOED to go through the rest of the tax abatement process. On the front end, ideally the counties or DHHS and their human services departments would vet some of the actors they are willing to put forward as applications. I am hoping that is the case, and then of course DHHS still has oversight, I believe, in all these mental health facilities.

Assemblyman Nguyen:

I am really excited to look at more avenues to help our mental health services, especially for children. Earlier you talked about private providers, as well as in-state and out-of-state providers. In terms of courting private institutions that could provide additional training, not only do we have a shortage in access to services, but we also have a shortage in educating the mental health workforce. Is this also targeting private institutions that may offer educational degrees within Nevada that could help with the shortage and be able to participate in these types of incentives?

Assemblywoman Newby:

The way the bill is currently written, it is actually for the provision of particular services, so it is facilities and provision of the services that are enumerated there. It would not necessarily go toward a private educational institution. I do have to acknowledge that in this session we have a number of great pieces of legislation, in my opinion, that are being considered. I just came from the Assembly Committee on Legislative Operations and Elections, where we were hearing about the lottery [[Assembly Joint Resolution 5](#)], which is also aimed at children's mental health, at least for now, and then there is also [Assembly Bill 37](#), which I have to give a shout-out to, because that really addresses the pipeline of professionals—to get more professionals here and grow more of our own.

Assemblyman Nguyen:

I am hopeful to work with you on possibly expanding that, if that was not the intent. As much as we see opportunities for these facilities, at the same time we could encourage more educational institutions that could provide an accelerated education right here in Nevada. It would also be helpful for the frontline shortages and creating more opportunities for private institutions to offer mental health degrees here in our state. I look forward to working with you on that.

Assemblywoman Newby:

Likewise.

Assemblyman O'Neill:

This is a very interesting proposal. I am not sure where I see GOED in this. On some of the comments, our real issue with mental health is we do not have providers. As I understand, you would be talking about a brick-and-mortar facility, and a brick-and-mortar facility without providers is just a building. From my experience most medical provider services, their corporations, are nonprofit.

Other states give abatements, et cetera, to bring in various industries to their respective states. Do you know where a similar format of this has been practiced and has been successful? I am confused because I really think the issue is we need mental health providers, which we are working on right now to bring here.

Assemblywoman Newby:

I do have someone here who is willing to pitch in, but I will start with this: we need all of it. I cut it out of my presentation, but there are so many of our children who need in-patient care, residential treatment facilities, and so many of them are not kept in state. They are as far away as Missouri and North Carolina. That is just not conducive to the relationship with the families. We also need step-down facilities, so when a child is released from a residential treatment facility, where do they go to then reintegrate? We also do need providers.

To the GOED example, it was really my thought that if it works for us to bring major corporations to Nevada—I will not name names—then I would be fine poaching providers and mental health service providers from other states as well. Why do we not just get into this game and start being aggressive to solve this problem that we have, as we have been in so many other areas?

Assemblyman O'Neill:

The Office of Economic Development, Office of the Governor does not deal with nonprofits. Nonprofits do not pay the majority of these taxes you are talking about abatements on.

Assemblywoman Newby:

That is correct. That is one of the avenues, and this is a series of avenues and options. That one would be for a private provider. That would not be for a public sector or a nonprofit provider. Just like the Nevada State Infrastructure Bank would not be for a private provider.

Assemblyman O'Neill:

Just for clarification, you had spoken at one time about providing these to out-of-state businesses. I assume you mean out-of-state businesses that are coming to Nevada, not that are operating out of state, and giving them some kind of tax break or assistance? I was confused on your statement, and I appreciate your friend now coming forward to help about the other part of my question. I did misunderstand you, correct?

Assemblywoman Newby:

Yes, although I would never say you misunderstood me. What I meant to say is that there are out-of-state providers that we would recruit to come here, build a facility, bring their workers, bring their mental health providers, and locate them here. I believe Mr. Musgrove represents such a client, so I will turn it over to him for that perspective.

Dan Musgrove, representing Universal Health Services Delaware, Inc.:

Universal Health Services includes the Valley Health System and Northern Nevada Medical System, as well as a number of behavioral health hospitals here in the state of Nevada. In fact, tragically we had to close West Hills Hospital in Reno. We are currently in the process of closing Desert Springs. One reason for doing so is to bring those facilities up to code, as they are so outdated, it would be cost prohibitive. One thing Universal has done is purchase an assisted living center in Reno and is in the process of transforming that into a behavioral health hospital. The cost of changing that type of facility into a suicide-proof type of facility that meets the state standards to be a mental health facility is very costly.

I think many of you know Nevada's Medicaid rates are very lean, especially when it comes to mental health, so it is hard to build in some of those costs into a mental health rate. If we could somehow offset those capital costs by receiving tax abatements, I think you would not only see in-state providers looking to go into that business—because it is again very costly creating a safe mental health facility—you would also give the opportunity for the out-of-state providers who have looked at Nevada's Medicaid rate and said they just cannot afford to operate here in the state. It at least gives them a balancing act of—if we can save some money here, perhaps we can make that Medicaid rate work for us, because we are not having to spend so much in capital costs.

I think that is why it is so attractive and an excellent idea to try to put another tool, as Assemblywoman Newby said, in our toolbox, to attract folks who might normally never either get into the behavioral health space or even consider coming to Nevada to build those kinds of facilities that, again, are very cost prohibitive. I hope that answers the question.

Assemblyman O'Neill:

It did to some extent, but I am still waiting for how many other states have used such a practice to attract businesses.

Dan Musgrove:

I am not aware of any. I think that is why it is such an excellent idea and something we, as Nevada, ought to explore, because we are losing the battle in attracting folks to the state, for whatever reason it might be.

Assemblywoman Newby:

To answer that question, when I had asked the Legislative Counsel Bureau (LCB) staff if other states were doing this, they came up empty-handed. I think we would potentially be the first.

Assemblyman O'Neill:

With that in mind, what would you think about, if this bill passed, adding or doing an amendment to it about if they do not come, it does not continue, with sunsets, and goes away? Just as a thought.

Assemblywoman Newby:

I would consider that. I would be happy to work with anyone who has any comments or thoughts on the bill.

Assemblyman Hafen:

You had mentioned in section 4 how this would interact with the Opportunity Scholarships. I just wanted to clarify, on the record, that you are not trying to use the Opportunity Scholarship funds and this would be in addition to those funds. Correct?

Assemblywoman Newby:

You are correct. My reference to Opportunity Scholarships really was only to say that it is again a recognized tool that we have in Nevada. This does not have any scholarships, but it repurposes the front part of that process, to allow for the donations, the abatement of the MBT, to get the money into a special account for a special use. It does not, in any way, usurp, change, or take over Opportunity Scholarships.

Assemblywoman Cohen:

I do not know if you addressed this and I missed it. In section 1, subsection 2, paragraph (d), subparagraph (3) you have the specific years—15. Can you talk more about that? We had a presentation, I think in the Assembly Committee on Judiciary, where we were talking about the length of time most businesses are open in Nevada. I think it was 6 years for a corporation and 8 years for an LLC [limited liability corporation], so when I see 15 years it makes me think. How are we going to know that these businesses are going to stay open? I know you have the language about binding the successors. Could you address that section a little more?

Assemblywoman Newby:

That section was lifted directly from our current GOED standards. I am open to adjusting that time frame. Really, what I wanted to do is just mirror it as much as I could, so I believe that is the same that currently exists in GOED. I do not pretend to know their processes about how they re-up and track those businesses to make sure they are still in operation, but it is my understanding that they do.

Chair Backus:

I wanted to put a comment on the record. I get the privilege of representing kids who are subject to abuse and neglect, and residential treatment centers are commonly utilized for that population. Unfortunately, it takes them away from their families, or the ability to stay part of their village. Looking at this, I appreciate your innovative efforts. I am going to step away and turn it over to Vice Chair Considine to walk us through getting testimony on the bill.

[Assemblywoman Considine assumed the Chair.]

Vice Chair Considine:

We will move to those in support of A.B. 445.

Dan Musgrove:

Thank you for a second bite at the apple. I am here wearing a couple of hats. One as an advocate. I am a current member and past chair of the Clark County Children's Mental Health Consortium. I want to thank Assemblywoman Newby for asking me to be a part of her stakeholder group. It was an excellent discourse. This was an idea she walked in with, and we all thought it was so intriguing and so out of the box that we thought it ought to be considered.

I do not mind being Nevada first in some things, and we certainly ought to try. We are certainly very supportive in and looking at any way that we can attract folks to Nevada who are willing to help our kids. Assemblyman O'Neill was absolutely right, we do not have enough providers, but they also need places in which to help those kids. Sometimes it is more than just residential treatment. Sometimes it is partial residential treatment. Sometimes it is foster homes or congregate care, but sometimes there are costs involved that just are not made up by the reimbursement rates. If there is any way we can help those providers come to Nevada, I think it is something we ought to consider.

You also heard me speak on behalf of a couple of clients I represent who are certainly interested in expanding services, as this is again a way to mitigate some of those low reimbursement rates. We are absolutely in support.

Tessyn Opferman, representing National Association of Social Workers and Human Services Network:

We know we have a children's behavioral health crisis here in Nevada. Our social workers know it. Our direct-care providers are well aware of it. We really appreciate Assemblywoman Newby's work on this issue. I know she approached us early in session. She said this was a priority of hers. We are so grateful for this creative solution. We hope you pass this bill in an attempt to try to address this crisis that the state is facing.

Nicole Rourke, Director, Government and Public Affairs, City of Henderson:

We would also like to thank the sponsor for bringing this innovative bill for a solution to our provider problem. Our children are our most vulnerable population. We really like this out-of-the-box thinking. It is aligned with our strategic plan in this area. We applaud her for this effort and urge you to support the bill.

Jonathan Norman, Statewide Advocacy, Outreach, and Policy Director, Nevada Coalition of Legal Service Providers:

The Nevada Coalition of Legal Service Providers includes, relevant to this, the Legal Aid Center of Southern Nevada and Northern Nevada Legal Aid. We represent anywhere from 3,000 to 4,000 kids in foster care at any given time. The DOJ report and the mental health

crisis, how that plays out is our CAP [Children's Attorneys Project] attorneys telling 7- and 8-year-olds that they have to go to a residential treatment center in Missouri, and the kid asking if Missouri is close. When we talk about we are missing things from our service array, it is that. Then, when the kid comes back and we do not have the appropriate step down, they are placed at Child Haven, they go acute again, and we recycle into the hospitalizations.

I was in a hearing earlier this week and the Clark County Department of Family Services, I think they testified that within the last year they have had 140 families in Clark County surrender their children to the Department of Family Services (DFS) because they cannot get mental health treatment in the community. They are looking to DFS as a provider of last resort for mental health. How that plays out is the children will be at Child Haven where they will get DJJS, which is the division for juvenile justice services, and then they are going to be at a residential treatment center again. We obviously support any innovation to bring companies here. It takes private companies and nonprofits. There are a lot of private companies that work with foster kids.

I am going to pinch-hit for Lea Case from Boys Town Nevada, who said they hope the supplemental and enhanced rates mentioned in section 10, subsection 3 would apply to managed care, Medicaid, as well as fee-for-service, as 80 percent of the state is on managed-care plans, including Washoe and Clark Counties.

Marlene Lockard, representing Service Employees International Union 1107:

I cannot tell you how important this bill is. We have had such an ongoing issue, for so many years, with the lack of appropriate facilities and mental services for our children in the state. Our Service Employees International Union members who work with the Department of Family Services in Clark County have been attacked, injured—some very severely—and we have a record to show you of what has happened when they are in facilities that are not equipped to properly care for the level and classification of the mental problems certain children may have. It remains a daily challenge for staff attempting to provide care to children in need of higher and appropriate levels of care. This is an incentive for the right reasons, for our state to incentivize people to come in to help us with some of these issues and provide beds and facilities. I cannot tell you how strongly we support this measure.

[Assemblywoman Backus reassumed the Chair.]

Chair Backus:

We will go to the phone lines. Is there anyone on the phone lines who wishes to give testimony in support of A.B. 445? [There was no one.] Do we have anyone here in Carson City wishing to give testimony in opposition to A.B. 445? [There was no one.] Is there anyone on the phone lines who wishes to give testimony in opposition to A.B. 445? [There was no one.] Do we have anyone here in Carson City wishing to give testimony neutral to A.B. 445? [There was no one.] Is there anyone on the phone lines wishing to give testimony neutral to A.B. 445? [There was no one.] With that, would the bill sponsor like to come forward and give closing remarks?

Assemblywoman Newby:

Thank you for hearing this bill and thank you to everyone who came forward to support it. I did want to say the comments that were relayed from Ms. Lea Case, I was intending for those Medicaid rates to apply to managed care organization services as well. I will be working with LCB staff to make sure that is clear in the bill.

Chair Backus:

I will close the hearing on A.B. 445 and take a brief recess. We are in recess [at 6:53 p.m. Assemblywoman Considine assumed the Chair.]

Vice Chair Considine:

[Meeting reconvened at 6:54 p.m.] I will open the hearing on Assembly Bill 430. I will ask Assemblywoman Backus and bill presenters to begin when you are ready.

Assembly Bill 430: Revises provisions relating to cannabis. (BDR 32-893)

Assemblywoman Shea Backus, Assembly District No. 37:

It is my honor to be here today presenting Assembly Bill 430. I am joined by Layke Martin, executive director of the Nevada Cannabis Association, and professor of cannabis policy at the University of Nevada, Las Vegas, as well as Daniel Stewart of Brownstein Hyatt Farber Schreck, who are both available to answer any questions. We do also have a variety of people in the audience who are very knowledgeable, so if we get any difficult questions, we may call on a few friends.

This bill addresses two issues: clarifying taxation of cannabis vaping products and the wholesale excise tax on sales of cannabis and cannabis products. Because there are two distinct issues, I am going to address the vaping tax issue first and then move to the wholesale excise tax.

Before I get started, I wanted to point out to the Committee we have a variety of proposed amendments. With this direct presentation we are going to be working off of an amendment I prepared and submitted [[Exhibit O](#)], as well as "Proposed Amendment to AB 430," submitted by the Nevada Cannabis Association [[Exhibit P](#)].

Starting with section 1 of A.B. 430, dealing with the vaping taxation, the tax of vaping and other tobacco products was meant to ensure both vaping and traditional smoking were taxed at the same level. There was no intention to include cannabis consumption. On the contrary, both the legislative history and the text show the intention was to exclude cannabis, but we want to ensure there is further certainty in the law. Section 1, subsection 3, paragraph (d) [[Exhibit O](#)] would make it clear that cannabis vaporizers are not taxed as other nicotine vaping products, even if they look like nicotine vapor products. Anything related to cannabis should be regulated by the Cannabis Compliance Board (CCB). Only cannabis products will be covered by this section. This means vaping devices that can only be used for cannabis. These devices burn a cannabis extract at a much higher temperature than the vaping devices used for synthesized nicotine liquid. You could not use these cannabis vaping devices to

vape nicotine products even if you wanted to. The nicotine liquid would be vaporized almost instantly. In summary, section 1 would add clarity to the law and help preserve the bright line between cannabis and non-cannabis products.

Next, we will move on to the wholesale excise tax. The remainder of [A.B. 430](#) addresses the wholesale excise tax. The wholesale excise tax of 15 percent is not based on actual sale prices, but on what is called fair market value. The fair market value calculation does not accurately reflect the current market, and as a result growers are paying taxes on a number that is often more than double their actual sale prices. We looked at a number of options for how to address this, from getting rid of the tax entirely to trying to fix the fair market value calculation. I want to acknowledge the significant amount of time that members of the industry spent researching these various solutions. We settled on the solution we are presenting today because it has broad industry support. In this bill presentation, we will discuss the existing fair market calculation and how this bill would fix what is broken with it, using a model that has been in place for years in Colorado.

There are two excise taxes in Nevada for cannabis products [page 2, [Exhibit Q](#)], a retail excise tax and the wholesale excise tax. The retail excise tax is a tax at the point of sale of 10 percent of the sales price. This tax applies to adult-use products only. It does not apply to medical use. The revenue generated by this tax goes directly to the State Education Fund.

In fiscal year (FY) 2022 the amount generated by the retail excise tax was \$89 million. The wholesale excise tax is a 15 percent tax on the fair market value of a transfer of cannabis or cannabis products by a cultivation facility to another cannabis licensee. This is not a sale directly to a consumer. It is a sale of usually bulk product to either a production licensee, who might take that flower and produce pre-rolls, or directly to a retail store who will then sell it to consumers. The revenue generated by this tax goes to pay the operating budget of the CCB, then \$5 million goes to counties as a payment for cost of local enforcement. The remainder goes to the State Education Fund. In FY 2022, the revenue generated by this tax was \$63 million.

As I mentioned, the wholesale excise tax is not 15 percent of the sales price when that product is transferred from the cultivation facility. The tax is based on fair market value [page 3], which is a number published twice a year by the Department of Taxation, based on the median prices of all wholesales for a period of six months, starting nine months prior.

This graph shows [page 4] the fair market value calculation has remained steadily and significantly above the actual market price of product. Put simply, growers are selling a pound for \$1,000 and paying taxes as if they sold it for \$2,000. As you can imagine, this is crushing cultivators. We have been working with the Department of Taxation closely on this, to see what changes could be made in regulation and what changes would require a legislative fix [page 5, [Exhibit Q](#)]. The current statute does not provide much guidance to the Department of Taxation on how to calculate fair market value, and they told us they would like more direction from the Legislature. On a side note, we have Director Hughes from the Department of Taxation here today.

It turns out we did not have to look for a solution to fix the fair market value calculation. Colorado is the state with the cannabis excise tax structure most similar to ours, and their modifications, if adopted here, will result in a wholesale excise tax that more accurately and fairly taxes the actual sale price. Here is how [page 6]. We are going to go over a couple of current issues and solutions:

- **CURRENT ISSUE:** The fair market value applies to all wholesale transfers, regardless of the actual sales price.
- **SOLUTION:** The transaction is at arm's length, meaning the two parties do not share ownership, then the 15 percent wholesale tax is on the actual sales price. The fair market value only applies to transactions between vertically integrated companies where the transferee may not be paying the market price because the transfer is between licenses owned by the same company.
- **CURRENT ISSUE:** The fair market value is inflated because it is calculated on sales data that includes the cost of tax [page 7].
- **SOLUTION:** Colorado fixed this by directing that the fair market value be calculated based on the sales price exclusive of tax.
- **CURRENT ISSUE:** The length of time used for calculating the fair market value is too long and does not keep pace with the actual market price [page 8].
- **SOLUTION:** The fair-market value will be published quarterly.

It is a fairly simple solution [page 9]. Where the sale is between unaffiliated companies, tax the actual sales price and make sure that the fair market value, when calculated, is as accurate as possible.

We will walk through the amendment because it does make some relevant corrections from the original bill draft. Starting with section 2, as we discussed section 1 separately from the other proposed amendment [page 5, [Exhibit P](#)], section 2 should be deleted because we do not intend to add cannabis production facilities to the licensee types that are responsible for the wholesale excise tax. Section 3 deletes reference to deleted section 2. Section 4 revises the definition of sales price to exclude excise tax, and we may need to beef this up a little because I have talked to our Fiscal staff and there may be a little misunderstanding about this. Our intent was to address the issue that we referenced earlier, about the wholesale price, including the amount of tax being passed to the consumer, and then the fair market value is calculated on that amount. Section 5 [page 6, [Exhibit P](#)] also corrects the section to delete cannabis production facility from the list of taxpayers. Again, there was not an intent to create a new tax for production facilities. Section 6 removes a deletion, so there would be no changes to the existing statute, [page 8], and section 7 spells out that if the sale is between affiliated entities then the fair market value applies. If it is between unaffiliated entities

the excise tax of 15 percent is on the sales price. The amendment deletes subsection 3 of section 7 which added a section on production facilities which was not the intent. Production facilities have never been responsible for an excise tax. The tax is levied on cultivation facilities only. Section 7, subsection 4, paragraph (a) [page 9] cleans up an issue that the Department of Taxation recently addressed, by adding the language "but may be recovered from the purchaser." It makes it clear that the retail excise tax can be broken out on the receipt that the purchaser sees and does not need to be baked into the sales price. Section 7, subsection 9, paragraph (b) [page 11] defines affiliate. The goal is for this to be as clear as possible. Fair market value applies to transactions between vertically integrated licensees. Section 7, subsection 9, paragraph (g) clarifies existing practice that the tax is on the first sales or transfer by a cultivation facility to another type of licensee, otherwise you would run into the issue where there is a new tax every time the product is transferred along the supply chain. Also, this section removes a deletion that should not have been deleted. There was a bill passed last session that if you were transferring between two cultivation facilities that you own, the tax is not levied until it is transferred out of the cultivation facility to another establishment.

I would also like to circle back. When I was talking about the sales tax being collected directly from the purchaser, that was in reference to section 7, subsection 4 [page 9]. With respect to our clear intent, the intent is not for retail excise tax to be able to exclude the wholesales tax paid. It is on the retail amount when the product is sold.

Section 8 in the amendment [page 11] again corrects that there is no new tax for production facilities. Section 9 [page 14] gives additional guidance to the Department of Taxation to adopt regulations to calculate the fair market value, essentially according to the Colorado model, which is quarterly, using median of wholesale transactions between unaffiliated parties during that period. Also, because the CCB contracts with Metrc to provide seed-to-sale tracking services to the state, it requires the CCB to ensure that Metrc includes a method to denote, in that tracking software, whether the transaction is between affiliated or unaffiliated parties. That will help the Department of Taxation to weed out irrelevant data when calculating fair market value. Section 10 [page 15] is the effective date, which is upon passage and approval for the purposes of adopting any regulations and administrative tasks, and then on January 1, 2024, for the roll out to the licensees. We are happy to answer any questions, and again we have representation from a variety of industry organizations, as well as the Department of Taxation and Tyler Klimas with the CCB available to answer questions.

[[Exhibit R](#) and [Exhibit S](#) were submitted but not discussed and are included as exhibits of the meeting.]

Vice Chair Considine:

Thank you for the presentation. We will start off with Assemblyman Orentlicher.

Assemblyman Orentlicher:

This makes eminent sense to use fair market value in a fair way. The one question I have is, obviously this creates incentives to have disguised affiliates. Have there been problems in

Colorado where an entity that is truly and functionally an affiliate but is presented as nonaffiliated, to try to game the system? How much do we have to worry about the incentive to game the new system?

Layke Martin, Executive Director, Nevada Cannabis Association, Las Vegas, Nevada:

This is the benefit of using the Colorado model. They have eight years of experience with the exact model we are seeking to adopt. We spoke with the Colorado Department of Revenue and what they have done. They have regulations in place to even more specifically define who is affiliated and who is unaffiliated. What we have adopted here is an affiliated model using what is already in our statutes, here in Nevada, based on gaming, and we can further define affiliated and unaffiliated in regulation. Also, the Department of Taxation always has the ability to audit that. The licensees will be able to indicate an affiliated transaction when they make the transaction in Metrc, and the Department of Taxation will have the ability to go back and audit that if it turns out to not be the case.

Assemblyman Hafen:

I know during the interim this was something that had come up in conversations and has been an issue that needs to be addressed. I know one of the problems has been the Department of Taxation struggles with the calculations on how to calculate fair market tax value because a lot of the businesses have gone vertically integrated. I supported just doing a flat fee per pound, but I clearly lost that in the drafting of this bill. What I want to know is if the Department of Taxation is going to be able to now calculate the per pound charge on an easier basis, so people are being charged fair and equitable.

Assemblywoman Backus:

We can ask the Department of Taxation.

Shellie Hughes, Executive Director, Department of Taxation:

With the Colorado model, we would still have to calculate the fair market value for those affiliated businesses. In reality, it is going to be doing the same calculations. The only ease of burden will be when those unaffiliated businesses have the contract price, so they will pay the 15 percent on the contract price.

Assemblyman Hafen:

If I understand correctly, it does solve the portion when the independent sells directly to the dispensary, but it is not necessarily going to fully alleviate the issue we have had on determining fair market value on the vertically integrated portion.

Shellie Hughes:

Yes. We will be using the same Metrc data. It will be helpful to have the ability to denote who is an affiliate and who is not an affiliate in the Metrc system, so that will help with our calculations. Essentially though, we are still doing the same fair market value calculations.

Assemblyman O'Neill:

I should love a bill that says we are reducing taxes on cannabis businesses. What I hear is this is changing the tax structure and it will probably lower the revenue coming to the state. Am I understanding that correctly, for clarification?

Assemblywoman Backus:

I do not want to look at it as we are obviously decreasing revenue per se, because the revenue from both the wholesale and retail tax does go to the State Education Fund. The reality here is we are making sure it is fair. I do not know what is going to happen with the economy moving forward, but right now there is a problem where the fair market value, as I understand it, is a lot higher than the actual sale price. This is to even it out and ensure people are paying appropriately their 15 percent tax versus paying 30 percent on certain products that they may sell at a lot less than the fair market value.

Assemblyman O'Neill:

I agree with you. We should be looking at some equitability across the line. If you look at just the tax numbers, and in all honesty, the cannabis tax has really not performed to the level originally presented to this body several years ago.

One of the issues I do know, with the wholesalers right now, is they have to pay their state tax within 30 days of sale, but they have not always received their payment within 30 days. Could we address that too, stretching it out to 90 days, or somehow adjusting that in their form too?

Assemblywoman Backus:

I agree with you. We do not really have it in our provisions right now, but that is something I am open to looking at. I do not want to put Director Hughes on the spot, but could you elaborate if there are any problems to extending that deadline?

Shellie Hughes:

Moving to a quarterly tax does become more difficult for us, especially with our cash counts. The size of the tax payment is significantly greater. It also has some difficulty with auditing, and many of our tax types are monthly. We have very few that are quarterly.

With sales tax, for you to be able to report quarterly you have to be making less than \$10,000 per month, and for most of these businesses, their tax payment is greater than \$10,000. It becomes difficult for us to move to a quarterly tax return.

Assemblywoman Mosca:

When we have the seed-to-sale tracking, I assume we already have this here. Would this just update it, so it is tracked correctly?

Layke Martin:

Yes. We already use a seed-to-sale tracking system called Metrc. I believe we have talked to them about this, and they are able to add the functionality in the software so you can designate whether it is an affiliated or unaffiliated transaction at the time of sale.

Assemblyman Gray:

I have never understood from Day One why this system had to be so darn complicated? I really thought maybe somebody was, excuse the pun, high when they came up with this whole taxation system. I am wondering why we do not streamline it and make it more like any other product that is sold, just tax it at the end, send it off, and make it easier on everybody. There are still too many opportunities for miscalculations. If the product changes daily, the tax is going to change daily, based on supply and demand, and based on the actual type of product, whether it is a good product or a bad product. Maybe some kind of additional sales tax. It just seems so cumbersome, so inefficient, and so costly to do it the way we are doing it. I do not know why we cannot get there. Could somebody answer that?

Layke Martin:

The issue is sticker shock at the point of sale. If you move all of the taxes to the point of sale then you have consumers who are seeing a 25 percent tax, 30 percent tax, and in Washington State 37 percent tax on their receipt when they are at the store. Our largest competition, being the unlicensed illicit market which does not have tax obligations, does not have costs of compliance and does not have costs of testing. They can sell for much cheaper. That is a very real source of competition. That is the issue with having such a large tax percentage at that point of sale.

Assemblyman Gray:

I would counter that they are paying that anyway, regardless. It is being passed down to them. Maybe we need to look at enforcement issues. Somehow we got there with alcohol. We do not really see a huge illicit alcohol market anymore. Yes, this is easier to grow, but maybe it is an enforcement issue that we need to focus on.

Layke Martin:

Absolutely. We would like to tackle that as well.

Assemblywoman Backus:

I just want to add, with the liquor sales we do have, and I could even turn this to Fiscal staff, but I believe there are different points of taxation as well.

Assemblywoman Anderson:

I have had a chance to talk with many of the growers. I want to make sure I am understanding both the language on page 9 of the bill and also some of the crossed-out language from page 7. In section 9, subsection 2, the denotation of transfers of cannabis between affiliates, I want to make sure I am understanding that these affiliates, based upon the language that has been crossed off on page 7, do they or do they not have the same ownership, but it might be in different locations. Could you clarify that for me?

Layke Martin:

For "affiliate," we adopted the definition in gaming. We are happy to further refine it if it needs refining. What we are really looking at is if I sell to you, it is an arm's-length transaction. We are not affiliated. We do not have common ownership. If I sell to another licensee with whom I have either identical ownership or nearly identical ownership, vertically integrated company is a term we use in the cannabis industry, which almost always means identical ownership. We wanted to be clear in case it was not always identical ownership. We are meaning to apply the fair market value to vertically integrated companies only, and others where you have an independent cultivator selling to someone they are not affiliated with, then that is based on the actual sales price.

Assemblywoman Anderson:

That needs a flow chart but makes total sense. Thank you for the clarification.

Vice Chair Considine:

There is also another proposed amendment from the Nevada Cannabis Association [she meant to say Sierra Cannabis Coalition]. Are you in support? Where are we on that?

Layke Martin:

We are in support of the amendment from the Nevada Cannabis Association [[Exhibit P](#)]. The Nevada Cannabis Association represents the majority of cannabis licensees in Nevada. We do have broad support for the amendment we have proposed. I believe you are also hearing another amendment from another group, Sierra Cannabis Coalition [[Exhibit T](#)]. We are not in support and that is not a friendly amendment.

What we have done is taken a system that is broken and sought to fix it by fixing the calculation. That is really the issue. We do not think the best fix is to move a tax to the consumer for the issues that we discussed. We do not think the wholesale excise tax should be moved to be solely customer-facing. What we want to do is address the current issue, which is fixing the calculation—where you have an arm's length transaction and you are taxing on the actual sales price. That is what we should be doing. That is what Colorado has been doing for eight years and is why their system works a little better than ours in more accurately reflecting the sales prices on the market.

Vice Chair Considine:

Thank you for answering the question I meant to ask. Are there any other questions from the members of the Committee? [There were none.] Thank you for the presentation. We will move to those in support of [A.B. 430](#).

Daniel Stewart, representing Puffco:

I am speaking in support of section 1, the vape issue. Part of the reason why I wanted to speak is because I have had numerous conversations, in good faith, with both the Department of Taxation and some of the health districts. I wanted to make sure we get the intent crystal clear, especially with the amendment that has been presented [[Exhibit O](#)].

I brought with me a little show and tell [holding up a cannabis vaporizer pen, [Exhibit U](#)]. I would have thought this was one of those fancy pens the Governor uses to sign a bill until a week ago, when it was explained to me that this is actually a cannabis vaporizer. The reason I bring this up is when you break it down into the individual components, the technology is completely different.

There is no place to put cartridges. You basically stuff cannabis wax into this and it heats up at a super high temperature, and then it vapes. We are not talking about just a legal distinction, like we are creating something or somehow there are exactly the same devices. One is used for nicotine and is taxed at one rate, and one is used for cannabis. They are actually completely different devices, and we tried to make sure that is clear in the amendment [[Exhibit O](#)].

Lastly, to Assemblyman O'Neill's comments about potential tax revenue, it is my understanding that this is a very small subgroup, and the vast majority of these folks who make these are currently not paying the vape tax because, as they understand it, they do not believe the law currently reaches them. They think it was meant to tax tobacco. They look at the various exemptions so they have not been paying it. They do realize there is room in the law that it could be interpreted otherwise. They are just seeking clarity. I do not know if there would be any lost tax revenue on this one at all. It would just be a recognition of what I think has already happened in reality. I urge your support of the bill.

James Wadhams, representing Black & Wadhams:

There is a letter on the record signed by Paul E. Larsen of Black & Wadhams [[Exhibit V](#)], so I am not going to go any further in support other than just say on behalf of the firm we are expressing support for the bill and the amendments by the Nevada Cannabis Association [[Exhibit P](#)].

Brandon Wiegand, President, Nevada Cannabis Association; and Chief Operating Officer, Thrive Cannabis Marketplace:

I have been a part of the cannabis industry since 2015 and was involved in the process in 2017 that initially established the wholesale marijuana tax (WMT), a tax the industry agreed to in an effort to provide a funding mechanism for our regulator, at the time the Department of Taxation, and now the Cannabis Compliance Board. The intent of this tax was to establish a true fair market value price specifically for cultivation products, and to apply a 15 percent tax exclusively on the initial transfer of those products.

In practice, implementation of the WMT policy has missed the mark. The current calculation of fair market value is flawed. The market prices utilized are inclusive of tax, and those prices are being used without correction to calculate fair market value, resulting in a tax on top of a tax. Additionally, the fair market value is not eliminating non-arm's length transactions from the calculation. Many vertically integrated operators inflate the value of their vertically integrated cultivation transfers in an effort to mitigate the effects of federal 280E tax. This has resulted in a fair market value calculation that is disconnected with the reality of the industry.

Assembly Bill 430, with the amendments proposed by the Nevada Cannabis Association [[Exhibit P](#)], gets us back on track with the tax structure and practice that supports the original intent of the policy. The WMT is charged on the actual contract price of all arm's-length transactions. The fair market value is determined based on the amalgamation of those contract prices, exclusive of taxes, and can only be applied to non-arm's-length transactions between entities under common control. Assembly Bill 430 clarifies and reiterates that the WMT is only applied to the initial transfer product from cultivation licensees and stipulates that no additional taxes are applied on subsequent transfers or conversions. Updating the frequency of the fair market value calculation from semiannually to quarterly ensures calculations are closely aligned with market prices. Assembly Bill 430, and the proposed Nevada Cannabis Association amendments [[Exhibit P](#)] have broad support amongst the industry, in addition to the support of the Department of Taxation and the Cannabis Compliance Board.

Thrive was initially supportive of the efforts to eliminate the wholesale marijuana tax in its entirety, however we are now strongly opposed to those proposed amendments [[Exhibit T](#)] for the following reasons:

- Eliminating the WMT would increase the retail excise tax to 15 percent resulting in a 22 percent to 24 percent tax at the register when including sales tax.
- Rather than fixing the fundamental flaws discussed in the WMT calculation, this proposal locks in those flaws and shifts the tax burden to consumers.
- Eliminating the WMT passes a business tax on to our consumers.

High taxes on cannabis are already the number one complaint we get from our customers. Increasing the retail tax further will only make it more difficult for licensees to compete with the unlicensed market. On behalf of the Nevada Cannabis Association and Thrive, we support A.B. 430 as these reforms will correct the inherent flaws in the current WMT policy, providing much needed support and relief to the license industry.

Salpy Boyajian, President, Cana Nevada, North Las Vegas, Nevada:

Cana Nevada was previously known and operated as Flower One. Cana Nevada is currently the largest cultivator here in the state of Nevada. We are also the largest cannabis taxpayer here in the state. I moved to Las Vegas in 2015 and was one of the original license winners from the first round, when we just started with the medical times. I actually started this business with the support of my family, and I chose to move my life to Nevada because I believed in the way the cannabis industry was being fully rolled out through the regulatory space and wanted to truly help set the gold standard here. I know we say that word quite a bit, but I try to believe in that because this is one of the big pieces of the puzzle, and I would say we have been constantly trying to figure out over the last eight years. What does that actually mean here for us in cannabis, right?

I wanted to make something clear. The company formerly known as Flower One just went through a very brutal bankruptcy slash. It is called a Canadian restructuring, known as a CCAA [Companies' Creditor Arrangement Act]. A lot of people lost a lot of money through this, and a lot of people lost their life savings through investing in that company. The company has paid approximately \$30 million in wholesale marijuana tax just since 2019. That represented 24 percent of our revenue. If the intent was to truly charge us 15 percent of our wholesale sales, that would have equated to about \$18 million of taxes collected, meaning we technically overpaid by over \$11 million. This amount would have been able to potentially save the company and prevent all those people, including me, from losing a very large amount of money.

We do not believe the current tax structure is sustainable and are pleading with you to take immediate action to help save the industry and give us a fighting chance in today's climate, post-COVID-19 era and all. My team and I wholeheartedly believe in this plan, and I think there is no better place than here in Nevada to operate in. We are asking to please consider all the learnings of the last eight years, alongside the changes occurring in the cannabis industry nationwide, to help make this state truly the gold standard of regulated cannabis.

Brett Scolari, representing CPCM Holdings, dba Thrive Marketplace; GreenMart of Nevada; Cura Cannabis Solutions, dba Curaleaf; Clark County Natural Medicinal Solutions, dba Solaris; and Nevada Organic Remedies, dba The Source:

I will not belabor the points. We support A.B. 430 wholeheartedly with the amendments presented by Chair Backus [[Exhibit O](#)] and the Nevada Cannabis Association [[Exhibit P](#)]. I would urge your support. This bill really is an issue of fairness and gives the operator some clarity moving forward on the wholesale tax. It would be much appreciated at a time when the industry is struggling. We appreciate your support, and I can answer any questions.

Vice Chair Considine:

Is there anyone else in support in Carson City. [There was no one.] We will go to the phone lines. Is there anyone on the phone lines wishing to give testimony in support of A.B. 430?

John Ackell, General Manager, Zenway Corporation, North Las Vegas, Nevada:

I have submitted written testimony [[Exhibit W](#)] to this Committee and will briefly summarize our support of this important legislation. Zenway Corporation is a Nevada state licensed indoor cannabis cultivation facility located in North Las Vegas. We are an independent company, not affiliated with any other entity, and employ approximately 20 full-time employees.

As a legally licensed cultivation facility, we are responsible for paying a 15 percent cannabis excise tax. The tax itself and the tax calculation is excessive and leads to unintended business and operational consequences. Due to the way the tax is calculated, we pay an effective tax rate of 25 percent to 30 percent. In some instances, this single tax is as high as 60 percent of our sales price. This high effective tax rate has come at the same time as a significant drop in the wholesale price of cannabis. Last year, we saw a drop of 50 percent in

some categories. With effective tax rates as high as this, it has not been possible to meet all of our business obligations. To this point, we are currently paying back wholesale cannabis taxes under a tax installment plan, which includes high penalties and interest. Also, we have had to defer payment on other obligations and incurred fees and/or interest payments on those obligations. For these reasons Zenway Corporation supports A.B. 430. Under this legislation we pay a 15 percent tax on all our sales, which is based upon our actual sales price, and all our sales are still reported on the state mandated seed-to-sale tracking system which must also be accepted by our customers. I am happy to answer any additional questions this Committee may have.

Vice Chair Considine:

Is there anyone else on the phone lines wishing to give testimony in support of A.B. 430?
[There was no one.]

[[Exhibit X](#), [Exhibit Y](#), [Exhibit Z](#), [Exhibit AA](#), [Exhibit BB](#), [Exhibit CC](#), [Exhibit DD](#), [Exhibit EE](#), [Exhibit FF](#), and [Exhibit GG](#) in support were submitted but not discussed and are included as exhibits of the meeting.]

We will now move to testimony in opposition to A.B. 430. Is there anyone in Carson City who would like to testify in opposition?

Will Adler, Director, Sierra Cannabis Coalition:

The Sierra Cannabis Coalition is a coalition of cannabis license holders who have spent the last 18 months reviewing the fair market value here in Nevada and came up with a few assessments based upon that. The fair market value is a product of the actual retail ballot initiative, back in 2016. We passed this wholesale tax upon that, and we had to keep that for three years inclusively. After passing that in 2016, the Sierra Cannabis Coalition found in our intense review of the data that the vertically integrated sales were not only included in the data, but maybe the majority of the data used to calculate fair market value, instead of using only arm's-length transactions, as mentioned by Brandon Wiegand. Included in the impacts of these vertical sales was the inflation of the fair market value. Identifying a few core things we found wrong was the questionable data management, to use Metrc data to then send it to the Department of Taxation blindly. The addition of errors in the data set, including \$10,000 data points for the fair market value calculation, and the implication of that is a broken fair market value system.

Sierra Cannabis Coalition wants to clarify we are here in support of A.B. 430, but we do think there is a better way to do it. To be clear, we will be presenting our amendment to you shortly [[Exhibit T](#)]. The cannabis products really get rough when you look at a cultivation and how they have to operate today. Cultivation to a third party has no means to sales themselves and have to eat the entirety of the wholesale tax upon receiving it. They must pay that tax within 30 days and have no recourse to mandate payment of themselves within 30 days. As such, this has created an imbalance where the wholesale tax is owed sometimes 90 or 120 days before the person who has to pay the wholesale tax, the cultivator, actually receives revenue for the products they have given to the dispensary.

To correct this, the Sierra Cannabis Coalition is going to go through an amendment here today. The amendment is to simplify Nevada's tax code. We think there is a simpler and better way to do it. To reference every other state I can, no other state does a wholesale tax on cannabis and has a wholesale tax on the growers of cannabis other than Colorado and Nevada today. Every other state that has implemented a wholesale tax has removed that wholesale tax due to the burden it puts specifically on the cultivator versus the entire rest of the industry. They have identified, especially in California, that this individual tax on the wholesaler would be the detriment and the ending of all third-party businesses. For reference, California had \$160 per pound wholesale tax. Nevada today calculates ours as a fair market value based upon a \$1,900 pound. That comes out to about \$300 per pound of cannabis in Nevada. Essentially, California had \$160 per pound wholesale tax that they thought would be so burdensome it would eliminate all their third-party growers. Nevada has doubled that today in our fair market value.

Assembly Bill 430, with the amendment done by the Nevada Cannabis Association [[Exhibit P](#)], would rectify some of these concerns when it comes to the actual value of the goods sold, but it would not actually rectify the concerns when it comes to cultivator on receiving payment and owing those taxes before they know they have the money to pay it. Today most cultivators actually have to pay out of their own bank accounts their wholesale tax prior to receiving any funds from the dispensaries because lead times on repayment have gone from 15 days on average, when we are a cash business, exchanging cash to cash, to past 60 days on average for the new digital cannabis economy, where we transfer goods and receive payments through bank accounts. It is a fact of the market that the current fair market value is structured as such that the third-party cultivator will be unduly burdened by it.

To go to the amendment [[Exhibit T](#)], the Sierra Cannabis Coalition did provide an amendment to A.B. 430. Again, I do want to emphasize we are going for simplicity, efficiency, and equality under the tax code. To do this we heard about the multitude of issues with fair market value, its calculations, and its quantification. The simplest way to go forward, and the correct way to go forward as every other state has done across the nation, other than Colorado, is the elimination of the wholesale tax. California did this last year, as I stated, because it saw great detriment to its independent cultivator market. To achieve this, the Sierra Cannabis Coalition took A.B. 430 and briefly going through our amendment [[Exhibit T](#)], we maintained all of section 1 of the bill, as section 1 of the bill is entirely its own issue and is an issue that is worthy of its own note. There is a need to identify cannabis versus multiple-use products that could be used for cannabis and tobacco. That portion of the bill is intact and supported.

To go further, sections 2, 3, 5, 6, and 9 of the bill will be eliminated in the amendment by the Sierra Cannabis Coalition. This is because we do not see any need to calculate a fair market value anymore. The data has shown that it is impossible to keep this number at a square fair

number when you are tracking it over time and releasing it either every six months or every quarter. Just the nature of data being lagging, you will always have inaccuracy here. To efficiently level the tax playing field, I would like to send the Committee to section 7 of the bill.

Vice Chair Considine:

You are already over 6 minutes. Thank you for this, but if you could please hit the highlights.

Will Adler:

Section 7 of the bill is the bulk of the bill. The Sierra Cannabis Coalition is proposing we do as other states have done and put all the taxes at the retail end. Currently, the cultivators have no means to express their inability to get paid, but today Nevada can retain the bulk of our revenues from the current cannabis wholesale tax, both the retail tax and the current wholesale tax go into a single stream of revenue, by simply changing our 10 percent retail tax today to a 15 percent excise tax. That excise tax would be applied to both cultivated products and production products, and the revenues from that would be sufficient to make up the bulk of any loss from the loss of the current wholesale tax.

I did mock-up a few slides [[Exhibit HH](#)] for the Committee. I do not know if it would be beneficial to go through those at this time but the general gist of it is the loss of revenue from the current wholesale tax being leveled off to be fixed, as done in the Nevada Cannabis Association model, would be significant [page 5, [Exhibit HH](#)]. Additionally, just to summarize it, the revenues retained by having a 15 percent at retail excise tax would be the same or slightly higher in this model than those seen by the fixed wholesale tax by the Nevada Cannabis Association's amendment [[Exhibit P](#)]. We can state that pretty factually today because the in-depth study we did involved taking all Metrc data provided to the Department of Taxation, we calculated what that was, and then we took membership data and all the available data from other folks' Metrc data to line it up with that. To calculate that we were able to indicate what was higher than or lower than 15 percent of fair market value. The average for the Sierra Cannabis Coalition's datasets was 24 percent taxes paid over the last calendar year. That is not 15 percent at wholesale; that is 24 percent. To show the difference, what maybe a truing of the fair market value would be, we indicated what 15 percent retail would be and what 15 percent fixed fair market value would be.

I would ask that LCB Fiscal Division staff could mockup these data points more successfully than I could, but I am just trying to indicate that both models will show some loss of revenue but both will be retaining significant revenues. I think the vast benefit is to the state and to the industry, to flatten this out, simplify it, make it easier for people to do business as cannabis businesses, because today the impact of the fair market value is multitude and the risk of keeping it far outweighs the benefits of simplifying it and flattening it out at a 15 percent at retail. An associate of mine is coming up to speak to some of her own personal concerns, and her own opinions for why the fair market value should be changed but changed in a way that eliminates it and makes it equal for everyone. Hopefully you all can see that here today.

[\[Exhibit II\]](#) was submitted but not discussed and is included as an exhibit of the meeting.]

Vice Chair Considine:

I appreciate your presentation in opposition to this bill. I wanted to bring up something that when we talked earlier today and you explained this to me, without this chart [page 5, [\[Exhibit HH\]](#)], as you were explaining it, it was going from the 15 percent on the cultivator side, the 10 percent on the retail side, that it was totaling 15 percent, which in my mind, without doing all of this math, is a loss, especially for the State Education Fund.

Just looking at the page 2, [\[Exhibit Q\]](#) of the original presentation, it listed FY 2022 wholesale and retail, the total of that, and then moving that over for the next year. If it is \$89 million in wholesale, and \$44.5 million, adding these together, the difference being potentially significant, and this is something we could probably follow up on as I do not want to take up everybody's time, but it would be a loss of nearly \$20 million. We probably want to look at these sets of numbers if you are showing something different. I just wanted to bring up what we had spoken about earlier, and that moving it, but cutting it, I am not sure if that works. I do have a couple other questions, if you do not mind.

Will Adler:

To be clear, yes. I do think both models, both the truing of or making the fair market value a true 15 percent, charged only 15 percent as the Nevada Cannabis Association has presented, will create a loss of revenue today. We have heard from Flower One, that their average taxes were 24 percent last year. That lines up with the average that our Sierra Cannabis Coalition members did pay as well over the last couple of years, so just knowing that the 15 percent is currently inflated, we will see losses from flattening that, but we will also see losses of revenue if we make it a 15 percent at retail. I would say the losses are within the same ballpark, or about the same as I could model it. Again, I am not LCB Fiscal Division and I think it would behoove us to have a mock-up of both amendments to really judge them against each other properly.

Assemblyman O'Neill:

How would you address the 30-day payment issue from wholesaler to the Department of Taxation? Do you have any suggestions? I was not able to ask the question of the other cannabis group, so I will get with them offline.

Will Adler:

To be clear, in the Sierra Cannabis Coalition model there would no longer be a wholesale tax payment to be made by the cultivator. The cultivator would no longer have the wholesale tax at all. In our amendment we have removed the wholesale tax outright, and there would simply be an additional 5 percent added to the current retail tax. That retail tax is already collected and already registered, as everyone is registered today. There simply would not be a wholesale tax for the wholesaler to pay within 30 days as we would be removing it outright. This would simplify the tax code extremely because they would no longer have to wait or rely on payments to make their tax payments, as the taxes would be brought to the retail front end.

Assemblyman Hafen:

I appreciate your proposing an amendment today [[Exhibit T](#)]. Has the Department of Taxation had an opportunity to evaluate your proposed amendment, to see if there would be a reduction in workload to offset?

Shellie Hughes:

If we moved strictly to a retail marijuana tax then yes, there would be a reduction in workload. We probably would have to have additional auditors to make sure that 15 percent is being imposed, but it is minimal compared to having the auditors that have to audit the wholesale marijuana tax.

Assemblyman Hafen:

So there would be a reduction, but it would not be a 100 percent reduction in that audit staff currently. I am not going to hold you to this number, and maybe you could follow up with us, but do you have a ballpark figure of what that budgetary number looks like?

Shellie Hughes:

At this time, I do not.

Assemblyman Hafen:

If you could follow up, I would just be curious.

Assemblyman Nguyen:

This is a lot of information to get in a short period of time, so I am trying to digest everything. I was trying to do my research in terms of all the groups that are in play right here. I am very familiar with the Nevada Cannabis Association, but I am not familiar with the Sierra Cannabis Coalition. I tried to find them online but could not come up with anything. Can you tell me who they are?

Will Adler:

The Sierra Cannabis Coalition is a coalition that has re-formed in the last year. It was addressing the inequities in the cannabis markets, and the economic pains in the cannabis market. I was asked to come back on board and be the point person and the director of the Sierra Cannabis Coalition by four different dispensary groups and a good assortment of cultivations at this point. The main focus of it was to try and see why Nevada has struggling economic lagging indicators compared to other states, parallels with our cannabis market. What we found was the Nevada lab testing program is about 300 percent more expensive than any other state. The overregulation of the CCB—the fines, fees, and time and effort bills were unheard of and unseen in any other state. We had the CCB fine a license holder \$600,000 last year in a single violation, and then we found that the tax structure in Nevada was actually probably the worst tax structure of any state anywhere. The fair market value was incorrectly calculated, and everything else we have heard today. The point of the coalition is to address the economic concerns of the industry, and we were put forward to

address them in a very direct way. Our members tend to like to be more anonymous than not, so we do not tend to post them or list them because we have seen direct reprisal from the CCB for members speaking out or trying to address some of these issues in the hearings in the interim. That is why we do not list them more publicly.

Assemblyman Nguyen:

I would like to know who they are in terms of that, because we want to make sure folks who are up here are part of the conversation, should be open to conversations, and not hiding behind the word "anonymous." This is important to our state, and we want to make sure all the players are affected. It should be Nevada based, and part of the Nevada conversation. I am assuming they are not part of the Nevada Cannabis Association.

Will Adler:

Some of the members do have membership in both the Sierra Cannabis Coalition, as well as the Cannabis Chamber of Commerce and other varieties of memberships, but these are folks who contacted me and addressed me directly to take on these tougher issues in this way. I will come by your office and share a list with you.

Assemblyman Nguyen:

It would be great if you could share that with the Committee.

Will Adler:

Definitely.

Assemblywoman Anderson:

My question has to do with page 4 of your amendment [[Exhibit T](#)]. It has to do with the decision to strike out the Cannabis Compliance Board under—well, it would be section 7, subsections 5 and 6 under the original language, where the following language is being struck out: "The revenues collected from the excise tax imposed [pursuant to subsection 2] must be distributed: (a) To the Cannabis Compliance Board and to local governments in an amount determined to be necessary by the Board to pay the cost of the Board and local governments in carrying out the provisions of chapter . . .", and then it is again mentioned as well.

I am wondering, based upon comments made during the presentation, as well as other comments about the difficulty in the compliance, we know there are only a few individuals who are making sure people are under compliance, and the largest hit to the industry, from everything I have been able to gather, has to do with the people who are not regulated. They are doing it on their own. They are letting things fall off of a truck. What is the decision to cross out or take out the Cannabis Compliance Board, as well as the local governments, in trying to make sure this is regulated correctly?

Will Adler:

The intent of that was mostly to strike out the entirety of the wholesale tax. The \$5 million, as redistributed amongst local governments today, was done so at the time for the impacts the

legal market would actually have on other counties, as counties who do not have cannabis businesses at the time would see no income from cannabis. They did distribute \$5 million amongst those counties.

The intent of this amendment was not to strike out that \$5 million, or to redistribute it more directly into the State Education Fund, but there are conversations today of what is that \$5 million being used for and what are the impacts of legalizing cannabis, or what are the impacts of cannabis in Nevada? It has actually turned out those impacts seem to be more of a black-market impact. When we legalized cannabis, we actually legalized the easy ability to sell at least an ounce of it at a time to other people. That has actually become the more pressing impact, the furthering of the black market. I would not speak to taking that \$5 million away, and I would actually ask that if we are to take this amendment forward, which I wish to do so, we would actually add in language that takes that \$5 million and puts it into this side of the revenue collected. At the time we did have only one stream of revenue, that wholesale revenue, and that is where that \$5 million came from. It would be my intent to make that whole, or maybe add some language around that \$5 million for the future, because we are seeing that need to modify as well.

Vice Chair Considine:

Thank you for submitting an amendment and for your presentation. We will now move on to the next in opposition to [A.B. 430](#).

Mina Mafua, CEO, The Real McCoy, Minden, Nevada:

The Real McCoy is a locally owned and operated cannabis cultivation and production facility in Carson City. I have been in my position as CEO since 2020, when our company received its final inspection after our 2018 open application rounds provided by the Nevada Department of Taxation [[Exhibit JJ](#)].

The Real McCoy was opened and operational in September 2020, after the founders of our company, using their expertise and construction industry, built our facility from the ground up. Our company came to fruition because our cultivators saved the life of our majority owner's spouse using cannabis. In a year they were able to get her off of life-threatening dosages of opioids that were killing her steadily. We believe our purpose is to educate and provide quality cannabis as an alternative to pharmaceuticals. This company is a labor of love and healing.

We have never wished to do anything other than grow the finest products possible and sell them into Nevada's market. We have successfully done that until recently, when Nevada's fair market value calculation of cultivated cannabis products seemed to have shifted towards punishing growers without the means to dispense through a vertically integrated business model. To put a finer point on it, the state has set a fair market value of roughly \$2,000 per pound that all cannabis cultivators pay wholesale tax on. Since July 2022, the average tax rate has been \$320 per pound, meaning The Real McCoy is not paying a tax rate of 15 percent, but actually 24 percent. As such, we find ourselves at a loss for how to continue operating when the rules we are playing by are not applied fairly.

We understand the difficulties that cannabis retail stores face, but it is a matter of fact, many products we have sold to dispensaries get resold to consumers before we get paid for those products. This leaves us the sole payers of the wholesale tax, required to pay this tax out of our revenue as we await payment on previously sold goods. In no other industry is there a wholesale tax. The producer of the product is usually the one absorbing the cost of that good, and the same can be seen in the cannabis industry.

Assembly Bill 430 gives us the opportunity to correct the oversight of the 2016 ballot initiative. At the time, voters wanted assurances cannabis taxes would go to education. As the wholesale and retail tax both ultimately wind up in the State Education Fund today, it is in the interest of the cannabis industry as a whole, and the state of Nevada to do as California did last year and remove the wholesale tax to save the independent cultivators.

Vice Chair Considine:

We are going on four minutes, and I believe this is the letter you submitted [[Exhibit JJ](#)]. Could you please wrap it up?

Mina Mafua:

As an operator of the highly efficient and streamlined cannabis business that may be the smallest in the state, we have tried to do everything right and never had a violation with the Cannabis Compliance Board. Nevada does not need to add more rules and complexity in calculating a fair market value for cannabis. Nevada needs to simplify its tax code and remove the wholesale tax altogether. Thank you for your consideration in this matter, and I hope you save the small business cultivators out there.

Vice Chair Considine:

Is there anyone else in Carson City in opposition to A.B. 430? [There was no one.] Is there anyone on the phone lines wishing to give testimony in opposition to A.B. 430? [There was no one.] We will now move to neutral testimony. Is there anyone in Carson City who would like to give testimony neutral to A.B. 430?

John Ocegüera, representing Metrc:

You have heard about Metrc a couple of times tonight. Specifically, we are neutral just because I want to tell you a little bit about section 9, subsection 2 of the bill. It says, "The Board shall ensure that any computer software used for the seed-to-sale tracking of cannabis and cannabis products adopted by the Board includes a method to denote transfers of cannabis or cannabis products between affiliates." We had some discussion about affiliates and nonaffiliates. Metrc can track both of those. I just wanted to clarify that for the record, and we are neutral to A.B. 430.

Ashley Cruz, representing Cannabis Chamber of Commerce:

The Cannabis Chamber of Commerce is Nevada's largest and most diverse 501(c)(6) business trade organization, composed of 62 businesses and 400 business professionals. The Chamber of Cannabis is neutral to A.B. 430.

Vice Chair Considine:

Is there anyone on the phone lines wishing to give testimony neutral to A.B. 430?

James MacRae, Private Citizen, Washington:

I am Dr. James MacRae and a resident of Washington. Thank you for making testimony available remotely by phone. I am the individual that was contracted by Sierra Cannabis Coalition to look into the fair market value calculations that were being done last year. My background is in Washington State, where we have been legal for almost ten years now. I made a business effectively using seed-to-sale traceability data and doing that with [unintelligible] on it and various things. Earlier, I did some work in Nevada, which revealed some oddities in laboratory data, which was acting on very quickly.

However, with respect to the fair market value calculations, I was charged with looking into that last year. I researched it and some of the testimony today confuses me because I thought that Nevada's system was effectively based on Colorado's system. When I read some of the documents historically where the system was set up, when I had the Metrc data dump from Nevada to look at I got very confused. What I was seeing in the data and the calculations [unintelligible] on it simply did not add up to the numbers that were being reported under the state [unintelligible].

To cut to the chase, I could certainly give you details if you have any questions on both the work I did on the fair market value and some of the stuff Will Adler talked about earlier, about some projections going forward. I did much of that work as well, so if you have any questions on that, feel free.

I do want to caution you on a couple of things. In the wholesale space with taxation, Washington State, where I reside, started off as a 25-25-25 percent excise tax, where the first step of wholesale, the production, was assessed 25 percent. The next step of production, processing where the stuff is packaged and made into edibles and infused products and things, is also taxed at 25 percent. Then at retail the consumer was effectively taxed another 25 percent, all of this being on top of state sales taxes, et cetera. That was changed fairly quickly in our market for very good reason, that California's subsequently learned, and others do as well, to a 0-0-37 percent, and Washington State now enjoys the highest, I believe, retail excise tax on cannabis in the country, and we generate \$530-odd million in excise tax at the point of retail.

Some of the comments today confused me about throw-away taxes on consumers. If you got taxes at the wholesale supply chain, with fair market value or however you choose to calculate them, those ultimately come through in the prices. Consumers, they may not see a line for the tax, but they are going to be paying it. I will assure you of two things.

Vice Chair Considine:

We are over two minutes and we are having a difficult time hearing you. Could you wrap it up? Also, if you could put your comments in writing and please send it to the Committee.

James MacRae:

The Metrc ability to put affiliation on the records, you should ask the person whether that is nominated by the businesses, the licensees, or whether it is something that is inferred from the data, like the actual relationship Google licenses because gaming that system introduces wonderful opportunities for tax fraud. I am not saying who was going to do it, but you are obviously sensitive to the possibility. I would ask that question. It is my understanding that that would be something the licensees would have to declare, that it was an affiliated or nonaffiliated transaction, and I see problems with that.

Vice Chair Considine:

Is there anyone else on the phone lines wishing to give testimony neutral to A.B. 430? [There was no one.] The presenters have waived coming back up for closing comments. I will close the hearing on A.B. 430. I will now open the hearing for public comment in Carson City. [There was no one.] Is there anyone on the phone lines for public comment? [There was no one.] That fulfills our agenda. We do not have a meeting on Thursday [April 6, 2023]. We are adjourned [at 8:08 p.m.].

RESPECTFULLY SUBMITTED:

Gina Hall
Committee Secretary

APPROVED BY:

Assemblywoman Shea Backus, Chair

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is a copy of a PowerPoint presentation titled "Assembly Bill 359, Assembly Committee on Revenue," dated April 4, 2023, submitted and presented by M.J. Maynard, Chief Executive Officer, Regional Transportation Commission of Southern Nevada, regarding [Assembly Bill 359](#).

[Exhibit D](#) is a letter submitted by James Caviola, PE, President, American Council of Engineering Companies, in support of [Assembly Bill 359](#).

[Exhibit E](#) is a letter submitted by Ann Sweder, Private Citizen, Sparks, Nevada, in opposition to [Assembly Bill 359](#).

[Exhibit F](#) is written testimony dated April 12, 2023, submitted by Michael J. McDonald, Chairman, Nevada Republican Party, in opposition to [A.B. 359](#).

[Exhibit G](#) is a copy of a PowerPoint presentation titled "Wealth Taxes and Nevada's Tax System," dated April 4, 2023, submitted by Marco Guzman, Senior Policy Analyst, Institute of Taxation and Economic Policy.

[Exhibit H](#) is written testimony submitted by Chris Daly, Deputy Executive Director, Government Relations, Nevada State Education Association, in support of [Assembly Concurrent Resolution 7](#).

[Exhibit I](#) is written testimony dated April 4, 2023, submitted by Christine Saunders, MSW, Policy Director, Progressive Leadership Alliance of Nevada, in support of [Assembly Concurrent Resolution 7](#).

[Exhibit J](#) is written testimony submitted by Jim DeGraffenreid, representing Nevada Republican Party, in opposition to [Assembly Concurrent Resolution 7](#).

[Exhibit K](#) is a letter submitted by Ann Sweder, Private Citizen, Sparks, Nevada, in opposition to [Assembly Concurrent Resolution 7](#).

[Exhibit L](#) is a letter submitted by Reva Crump, M.S., Private Citizen, in opposition to [Assembly Concurrent Resolution 7](#).

[Exhibit M](#) is a letter submitted by Julie Burke, Private Citizen, in opposition to [Assembly Concurrent Resolution 7](#).

[Exhibit N](#) is a report titled "Investigation of Nevada's Use of Institutions to Serve Children with Behavioral Health Disabilities," authored by the United States Department of Justice, Civil Rights Division, dated October 4, 2022, submitted by Assemblywoman Sabra Newby, Assembly District No. 10.

[Exhibit O](#) is a conceptual amendment titled "Conceptual Amendment to Section 1 of AB 430," submitted by Assemblywoman Shea Backus, Assembly District No. 37.

[Exhibit P](#) is a proposed amendment titled "Proposed Amendment to AB 430," submitted by the Nevada Cannabis Association.

[Exhibit Q](#) is a copy of a PowerPoint presentation titled "Assembly Bill 430, Wholesale Excise Tax Reform," submitted and presented by Assemblywoman Shea Backus, Assembly District No. 37.

[Exhibit R](#) is a copy of a document titled "Economic Impact Analysis," submitted by Nevada Cannabis Association.

[Exhibit S](#) is a report titled "Nevada Cannabis Association, Economic Impact Analysis," dated February 2023, submitted by Nevada Cannabis Association.

[Exhibit T](#) is a proposed amendment titled "Sierra Cannabis Coalition, Proposed Amendment to Assembly Bill 430, submitted by Will Adler, Director, Sierra Cannabis Coalition.

[Exhibit U](#) is a photograph of a cannabis vaporizer pen, submitted by Daniel Stewart, representing Puffco, regarding [Assembly Bill 430](#).

[Exhibit V](#) is a letter submitted by Paul E. Larsen, Esq., Black & Wadhams, in support of [Assembly Bill 430](#).

[Exhibit W](#) is a letter submitted by John Ackell, General Manager, Zenway Corporation, North Las Vegas, Nevada, in support of [Assembly Bill 430](#).

[Exhibit X](#) is a letter submitted by Jace Goodrow, Vice President, Retail, Ayr Wellness, Coconut Grove, Florida, in support of [Assembly Bill 430](#).

[Exhibit Y](#) is a letter submitted by Shane Terry, Managing Member and CEO, TapRoot Holdings NV, LLC, in support of [Assembly Bill 430](#).

[Exhibit Z](#) is a letter submitted by Nick Puliz, Owner, THC Nevada, LLC, North Las Vegas, Nevada, in support of [Assembly Bill 430](#).

[Exhibit AA](#) is a letter dated April 3, 2023, submitted by Chris Anderson, President, Sala Consulting, Las Vegas, Nevada, in support of [Assembly Bill 430](#).

[Exhibit BB](#) is a letter dated April 3, 2023, submitted by Ryan Breeden, Chief Revenue Officer, Deep Roots Harvest, Mesquite, Nevada, in support of [Assembly Bill 430](#).

[Exhibit CC](#) is a letter dated April 3, 2023, submitted by Matthew Gardiner, Vice President, Shango, Las Vegas, Nevada, in support of [Assembly Bill 430](#).

[Exhibit DD](#) is a letter dated April 4, 2023, submitted by Rob Slingerland, Authorized Officer, DEC Ops NV LLC, Las Vegas, Nevada, in support of [Assembly Bill 430](#).

[Exhibit EE](#) is a letter dated April 3, 2023, submitted by Michael Viellion, ShowGrow, Las Vegas, Nevada, in support of [Assembly Bill 430](#).

[Exhibit FF](#) is a letter dated April 4, 2023, submitted by Jillian Nelson, Vice President of Operations, Fleur Cannabis, Las Vegas, Nevada, in support of [Assembly Bill 430](#).

[Exhibit GG](#) is a letter dated April 4, 2023, submitted by Tiffany Newbern-Johnson, Director of Government Affairs, Green Thumb Industries, Inc., Chicago, Illinois, in support of [Assembly Bill 430](#).

[Exhibit HH](#) is a copy of a PowerPoint presentation titled "Nevada Cannabis Tax Scenario Summary, dated April 4, 2023, submitted and presented by Will Adler, Director, Sierra Cannabis Coalition, regarding [Assembly Bill 430](#).

[Exhibit II](#) is a letter submitted by Will Adler, Director, Sierra Cannabis Coalition, in opposition to [Assembly Bill 430](#).

[Exhibit JJ](#) is a letter submitted by Mina Mafua, CEO, The Real McCoy, Minden, Nevada, in opposition to [Assembly Bill 430](#).