

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

**Eighty-second Session
April 14, 2023**

The Senate Committee on Revenue and Economic Development was called to order by Chair Dina Neal at 11:47 a.m. on Friday, April 14, 2023, in Room 2144 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Dina Neal, Chair
Senator Fabian Doñate, Vice Chair
Senator Pat Spearman
Senator Heidi Seevers Gansert
Senator Carrie A. Buck

STAFF MEMBERS PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst
Christian Thauer, Deputy Fiscal Analyst
Connie Summers, Committee Secretary

CHAIR NEAL:

We will begin the work session on Senate Bill (S.B.) 394.

SENATE BILL 394: Revises provisions governing property taxes levied for the support of public schools. (BDR 34-603)

CHRISTIAN THAUER (Deputy Fiscal Analyst):

Senate Bill 394 is summarized on the work session document ([Exhibit C](#)).

SENATOR SEEVERS GANSERT:

The bill was rewritten pursuant to the proposed amendment and provides a cap on what the Governor's Office of Economic Development (GOED) can approve as far as tax abatements. Is that correct?

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CHAIR NEAL:

That is correct. It codifies S.B. 181 because GOED is starting to focus on smaller businesses.

SENATE BILL 181: Revises provisions relating to economic development.
(BDR 18-683)

SENATOR SEEVERS GANSERT:

Is there a current cap in the statute or is it a question of eligibility? If the latter, there could be a variety of abatements, including the Modified Business Tax (MBT), property tax or other taxes. Is the proposed \$500,000 cap on the cumulative total sum of all abatements that could potentially be approved in statute for which companies are eligible?

CHAIR NEAL:

As to your second question, the intent is to have a cumulative sum of all abatements not to exceed \$500,000. Mr. Nakamoto will address your first question.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst):
Could you repeat the question please?

SENATOR SEEVERS GANSERT:

We have criteria set in statute for which a company could be eligible, and MBT, property tax or a variety of other taxes could be eligible for abatement. I do not believe there is a cap on the abatements. If a company is eligible, it would receive a certain percentage for 10 years up to potentially 20 years based on its investment in the employees, including the average rate of pay, health insurance and other benefits. Chair Neal answered one of my questions in that this would cap the total amount that GOED can approve on its own. Are there caps on those types of abatements which GOED can approve? If this is the cap, where else do they go if they want to get total abatements in excess of \$500,000 for certain businesses?

CHAIR NEAL:

The effect of this language is it would repeal existing authority for any additional abatement that exceeded the cap of \$500,000. The GOED would be required to get legislative approval for tax abatements through bill draft requests (BDR) for any abatement above the capped amount.

MR. NAKAMOTO:

To add to that and in response to Senator Seevers Gansert's original question, currently the extent to which an entity would be eligible for abatements has no maximum amount. The legislation to which Chair Neal referred, S.B. 181, addresses how it needs to be approved by GOED. Under current law, if the projected value of the tax abatements is below \$250,000, the executive director of GOED may approve it on behalf of the office. If it is above \$250,000, the matter goes to the GOED board. That is the only restriction. No maximum could be approved by GOED. As long as an entity meets the eligibility requirements, it would receive the abatements based on the eligibility criteria in statute.

SENATOR SEEVERS GANSERT:

Mr. Nakamoto just said if the abatement is over \$250,000 then it goes to the GOED board, but Senator Pazina sponsored a bill to make that amount \$500,000.

MR. NAKAMOTO:

That is correct. Senate Bill 181 would increase that threshold to \$500,000.

CHAIR NEAL:

The intent of S.B. 394 is that it gives control of the abatements to the Legislature so we can decide as a whole whether the abatements are good for the State. That is essentially what the cap would do, and it also codifies S.B. 181.

SENATOR SPEARMAN:

Do the clawback provisions remain? I noticed this Session that we are constantly trying to determine where money comes from. Sometimes people get abatements and do not necessarily do what they said they were going to do.

SENATOR BUCK:

Is this not the exact opposite of what S.B. 181 is saying?

CHAIR NEAL:

No, because S.B. 181 goes up to but does not exceed \$500,000. For any decision for an abatement beyond \$500,000, legislation would have to be created by GOED for approval. The GOED would bring a BDR to the Legislature

indicating it has a particular entity for which the Office seeks an abatement over the cap. It would allow the Legislature to make the decision.

SENATOR BUCK:

Every other year then, this could potentially stop big businesses from moving to the State. What other states do this?

MR. NAKAMOTO:

I do not have the answer as to what other states are doing with respect to this sort of abatement control.

SENATOR BUCK:

I am trying to encourage big business payments into our tax system. I am more than likely going to vote no on this bill.

CHAIR NEAL:

The conversation about Tesla II and the large abatement happening without the Legislature being involved in that decision and the actual tax impact to the State ends up as a loss of revenue for the State. Economic diversification continues to be something I support. However, I want the Legislature to be back in the seat of determining the appropriate amount of abated taxes that go to a corporation. There could be, as we noted, over \$70 million to \$300 million abated, and the Legislature would have no say in how that abatement process works.

I recognize not everyone can be in support of S.B. 394, but I want to make sure the record reflects I support economic diversification. We must move in a space where we start getting control over how much revenue is being abated from the State, knowing we have other needs to be addressed. The decision has not been ours for ten years.

SENATOR DOÑATE MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 394.

SENATOR SPEARMAN SECONDED THE MOTION.

SENATOR SEEVERS GANSERT:

The changes to our economic development statutes and the creation of GOED were related to expedite the abatements process. Former Governor Brian Sandoval and now Governor Joe Lombardo are interested in making sure

businesses come to our State and that we can support and respond to them with deals because we are competing with other states to get large projects to come here. We have seen great diversification success in northern Nevada, but there is a lot of work to be done in southern Nevada.

I am not going to support this legislation—not because I do not think we should change our economic development statutes—because we need to change who is eligible for abatements, why they are eligible, how much they get and for what duration. Companies considering a move to the State are usually on a timetable. I do not want to slow the process because that can be the deal-breaker. It may not be a matter of what we can offer but rather we cannot give them a timely response. I do not think GOED can wait until the Legislature meets every other year to get an answer from us. I do recognize that when we have large projects like Tesla or the Raiders, we will have a special session, but we need to allow GOED the flexibility to respond to opportunities that arise so it can continue diversification efforts. I am going to vote no on the bill.

CHAIR NEAL:

When I was having conversations with the Las Vegas Global Economic Alliance, one of the missed opportunities was mid-size to small businesses and what we were able offer them. I feel strongly about flexibility. The largest concerns and public statements that came out after the Tesla II deal were we need to stop abatements, and the Legislature needs to have more control over the size of abatements. Although meeting every two years would be problematic, there is no legal pathway for this to come under our Interim Finance Committee. That is why S.B. 394 was the proposed method. I am adding these comments to make the work session record clean.

THE MOTION CARRIED. (SENATORS BUCK AND SEEVERS GANSERT VOTED NO.)

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CHAIR NEAL:
The meeting is adjourned at 12:02 p.m.

RESPECTFULLY SUBMITTED:

Connie Summers,
Committee Secretary

APPROVED BY:

Senator Dina Neal, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Introduced on Minute Report Page No.	Witness / Entity	Description
	A	1		Agenda
	B	1		Attendance Roster
S.B. 394	C	1	Christian Thauer	Work Session Document