

**MINUTES OF THE  
SENATE COMMITTEE ON TAXATION**

**Seventy-third Session  
June 5, 2005**

The Senate Committee on Taxation was called to order by Chair Mike McGinness at 2:05 p.m. on Sunday, June 5, 2005, in Room 2135 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator Mike McGinness, Chair  
Senator Sandra J. Tiffany, Vice Chair  
Senator Randolph J. Townsend  
Senator Dean A. Rhoads  
Senator Bob Coffin  
Senator Terry Care  
Senator John Lee

**GUEST LEGISLATORS PRESENT:**

Assemblyman David R. Parks, Assembly District No. 41

**STAFF MEMBERS PRESENT:**

Chris Janzen, Deputy Fiscal Analyst  
Ardyss Johns, Committee Secretary  
Tanya Morrison, Committee Secretary

**OTHERS PRESENT:**

Anthony F. Sanchez, Las Vegas Motor Speedway  
George W. Treat Flint, Nevada Brothel Owners Association  
Charles Chinnock, Executive Director, Department of Taxation  
William Bible, Nevada Resort Association

CHAIR MCGINNESS:

We will open the hearing on Assembly Bill (A.B.) 554. The bill has not been officially received and we are unable to take a motion on it, but we will take testimony and hold a Committee meeting on the Senate Floor to consider a motion.

**ASSEMBLY BILL 554 (2nd Reprint)**: Makes various changes to provisions governing taxation. (BDR 32-1344)

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ANTHONY F. SANCHEZ (Las Vegas Motor Speedway):

You have before you an issue previously heard by this Committee. It was Senator Titus's bill, Senate Bill (S.B.) 247.

[SENATE BILL 247 \(1st Reprint\)](#): Revises provisions governing tax on live entertainment. (BDR 32-680)

MR. SANCHEZ:

Due to the lack of progress on S.B. 247, we have been working to add a provision in A.B. 554. This was passed out of the Assembly this morning.

The bottom of Page 6 has an exemption regarding the National Association for Stock Car Auto Racing (NASCAR). The way it is currently written indicates if there are two or more races in a calendar year, the second race is exempt. The concern on the part of the Las Vegas Motor Speedway is due to an administrative inefficiency. The track sells its tickets all at the same time, so the Speedway would have to tax all races except the second one.

We have worked with and spoken to leadership in the Assembly as well as the Senate and are proposing an amendment ([Exhibit C](#)) which would delete the second race exemption and propose both races be exempt for the next biennium. The first race that would impact would probably be a March 2008 race.

CHAIR MCGINNESS:

Will this take effect July 2007?

MR. SANCHEZ:

It would take effect now, but they would not avail themselves of this until March 2008. I am not sure if it would affect a race in the fall of 2007.

SENATOR RHOADS:

How much would the fiscal impact be on this State?

MR. SANCHEZ:

The money raised in March 2005 was between \$1.5 million and \$1.8 million. In [Exhibit C](#), the race had a 20-percent jump in economic impact in the southern Nevada economy, even over last year. It is approximately \$167million. In 2004, it was \$143 million, so it is continuing to grow. That is why we are hoping to send a loud signal to NASCAR that Las Vegas deserves a second car race.

SENATOR RHOADS:

What would the fiscal impact be on this State?

MR. SANCHEZ:

It would be between \$1.5 million and \$1.9 million.

SENATOR RHOADS:

Do they generate \$167 million?

MR. SANCHEZ:

That is correct.

SENATOR RHOADS:

Are most NASCAR racetracks throughout the country exempt?

MR. SANCHEZ:

California and Arizona do not have live entertainment taxes. Those are the markets we compete against.

SENATOR RHOADS:

Do other states impose entertainment taxes like this one?

MR. SANCHEZ:

Some of them do. I believe Tennessee does. I am trying to remember when this issue was before you in the last Session. That was when the 5 percent was first imposed. Tennessee and South Carolina had entertainment taxes at that time. The only way to get a second NASCAR race is through Bruton Smith, the owner of the Las Vegas Motor Speedway. He owns several tracks around the country. The only way to get another race in Las Vegas is for him to buy another facility which has an existing race and bring that race to Las Vegas. That is a \$200-million-plus investment because there are so few.

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SENATOR COFFIN:

Does this bill contain anything about the topless clubs?

MR. SANCHEZ:

Assembly Bill 554 does have live entertainment aspects, but more to entertainment places inside casinos.

SENATOR COFFIN:

Does A.B. 554 include everything but the topless clubs?

MR. SANCHEZ:

There was a lot more in S.B. 247 not contained in A.B. 554 which is much more streamlined and condensed. It has less information than S.B. 247.

SENATOR COFFIN:

Where are the topless clubs in this bill?

GEORGE W. TREAT FLINT (Nevada Brothel Owners Association):

I have an intimate relationship with this bill and its verbiage since the last Session. On page 6 of A.B. 554, the topless clubs would be covered under lines 1 through 3, unless they have an occupancy capacity of less than 300. The major men's cabarets are covered under that section. I have been told by the Department of Taxation that the major places create approximately \$7 million a year. Most of the smaller clubs could probably be brought into A.B. 554 if you amend the section to read a total occupancy of 200 rather than 300. To protect my client, I do not want you to bring the occupancy number down too much lower than 200 or you will have my clients back in this tax law.

SENATOR COFFIN:

It is my understanding that some of the topless clubs get out of being taxed by removing a few seats. We should consider the possibility of reducing the seating capacity so these highly profitable, legitimate businesses could help pay their share of the budget. Has there been any discussion about that?

ASSEMBLYMAN DAVID R. PARKS (Assembly District No. 41):

Assembly Bill 554 was heard in the Assembly Committee on Commerce and Labor. As far as specific numbers and discussion on the number of seats, I am not sure there was any detailed discussion on that issue.

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CHAIR MCGINNESS:

Is the Assembly agreeable to proposed changes by NASCAR representatives?

MR. PARKS:

I have not had a full briefing on what they are proposing. In general, I am aware there has been a request for a change on that part of the bill.

CHAIR MCGINNESS:

Mr. Sanchez, will there be no fiscal impact if we make the effective date July 1, 2007?

MR. SANCHEZ:

We are fine with that date. We would not be prepared to have that race by that time anyway.

SENATOR RHOADS:

Mr. Sanchez, does this bill have any affect on the National Finals Rodeo?

MR. SANCHEZ:

No, it does not. The National Finals Rodeo is held on the university property.

SENATOR CARE:

How will this bill affect the Nextel Cup Series? Do they have a long-term contract for the spring race?

MR. SANCHEZ:

The contract is with Bruton Smith, owner of the raceway and NASCAR.

SENATOR CARE:

How long does that contract run?

MR. SANCHEZ:

They are currently in negotiations for that contract. I am not sure about the length of the contract, but I can get that information for you.

SENATOR CARE:

In negotiations for the second race, are you at liberty to discuss whether the subject of the tax impact of an entertainment tax has come up in these negotiations? Is anybody posturing about having a second race?

MR. SANCHEZ:

Mr. Smith owns five tracks around the country, and if he gets the rights to another race, he could put it in California, Arizona or wherever. He is looking for the best economic portfolio for him to place it in. This bill is a sign the State of Nevada wants another race.

SENATOR COFFIN:

I would like to ask Charles Chinnock from the Tax Department a few questions on this legislation. Mr. Chinnock, what happened after the last Session with regard to the men's cabarets?

CHARLES CHINNOCK (Executive Director, Department of Taxation):

Many jurisdictions, whether fire marshals or the building code departments that oversee these facilities, found increased safety concerns with the 300-seating capacity. From the building and safety officials' standpoint, they would much rather see less occupancy than greater occupancy. If you had 300 or greater seating capacity, they were willing to adjust that seating capacity from the standpoint it was a safer venue to reduce that capacity. It became an easy issue for them to reduce the seating capacity.

SENATOR COFFIN:

Are you saying they reduced the seating number to avoid the tax in the interest of safety?

MR. CHINNOCK:

Yes, it was in the interest of safety.

SENATOR COFFIN:

If we changed the language to lower the amount, would we unintentionally include entities we do not want to tax?

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MR. CHINNOCK:

I do not know how to answer that. We did not do a study of a breaking point below the 300-seating capacity. The other bills were all or nothing with respect to adult entertainment.

SENATOR COFFIN:

If we are going to take action on A.B. 554 on the Senate Floor, would it be possible to amend it at that time to lower the 300-seat capacity to 200?

WILLIAM BIBLE (Nevada Resort Association):

I really cannot assist you with this issue because the taxes would apply to venues associated with gaming. The seating capacity in A.B. 554 is for areas not on gaming premises.

SENATOR TOWNSEND:

With regard to the 300 seating and the budget, the lower we make it, the more revenue we would generate as opposed to having an effect on them. There should be no fiscal note. My limited knowledge of this corresponds with Senator Coffin. This puts our Department of Taxation and the auditors in a tough situation. We have to remember, at the end of the day, we have those individuals who will be responsible for implementing this law. Senator Coffin's proposal meets the original intent of what this Committee and the Assembly debated. Obviously, we do not want to create a problem for Mr. Flint's clients. That was never the issue.

MR. FLINT:

This is not official, but I spoke with someone in the Department of Taxation, and I do not have Mr. Chinnock's permission to say this on the record. I was told if you brought this number down to 200, you may pick up those who are avoiding or evading this at the moment. I have been in enough of these places to know there are very few with less than 200 seats. There is a wide area you would pick up at 200, and you will still keep me harmless at that number.

SENATOR LEE:

I would like to go on record saying we have a \$1-billion machine called the Speedway. We seem to be doing quite well because of this. I am not for the second taxation; though in talking with Mr. Sanchez, it has no merit now. In the future I am going to work to see that does not happen, and we continue to work toward removing that law and enticing these individuals to come to our community for the next race. I would be supportive of Bruton Smith bringing that other race to us, and I will do what I can to see it gets here.

CHAIR MCGINNESS:

Mr. Sanchez, please come forward and clarify your proposed amendment which would take effect July 1, 2007, and remove the tax from the Speedway. Am I correct in saying that?

MR. SANCHEZ:

Yes, that is correct. Some of the language would be used, but it would just indicate the beginning to be July 1, 2007. This would clarify NASCAR races in Nevada would be exempt. It does not necessarily have to be Las Vegas Motor Speedway; although, that is the only facility we currently have to accommodate this type of race. The speedways understand they have the drag racing championships there also, and this would not apply to them.

SENATOR TOWNSEND:

I did not understand the issue of the date. The proposal would be in effect July 1, 2007, for the removal of the tax. Then it would be the intention of the Speedway to have both races after that so neither one would be affected. Is that my understanding?

MR. SANCHEZ:

That is correct, Senator Townsend.



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CHAIR MCGINNESS:

We will close the hearing on A.B. 554. The Senate Committee on Taxation is adjourned at 2:27 p.m.

RESPECTFULLY SUBMITTED:

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Tanya Morrison,  
Committee Secretary

APPROVED BY:

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Senator Mike McGinness, Chair

DATE: \_\_\_\_\_