

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

**Seventy-Sixth Session
April 14, 2011**

The Committee on Taxation was called to order by Chair Marilyn K. Kirkpatrick at 8:12 a.m. on Thursday, April 14, 2011, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 5100 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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/76th2011/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Marilyn K. Kirkpatrick, Chair
Assemblyman Harvey J. Munford, Vice Chair
Assemblyman Elliot T. Anderson
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Irene Bustamante Adams
Assemblyman John Ellison
Assemblywoman Lucy Flores
Assemblyman Ed A. Goedhart
Assemblyman Pete Livermore
Assemblywoman Dina Neal
Assemblywoman Peggy Pierce
Assemblyman Lynn D. Stewart
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Brenda Erdoes, Legislative Counsel
Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Cyndie Carter, Committee Manager
Mary Garcia, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

Lindsay Anderson, Director, Business Development and Research,
Division of Economic Development, Commission on Economic
Development
Chris Nielsen, Interim Director, Department of Taxation
Wes Henderson, Deputy Director, Nevada Association of Counties
James Reid, Member, Nevada Film Incentive Task Force
Joshua Cohen, Member, Nevada Film Incentive Task Force
Joseph Guild, representing Motion Picture Association of America
George Flint, Private Citizen, Reno, Nevada
Danny Thompson, Executive Secretary Treasurer, Nevada State AFL-CIO
Frank Woodbeck, Director of Las Vegas Operations and Nevada
Commission on Economic Development Workforce Initiatives,
Division of Economic Development, Commission on Economic
Development
Dan'l Cook, President, International Alliance of Theatrical and Stage
Employees Local 720
Tony Gennarelli, Member, International Alliance of Theatrical and Stage
Employees Local 720
James Clark, Business Owner, Virginia City, Nevada
Gary Sauer, Private Citizen, Las Vegas, Nevada
Joe Lamb, Private Citizen, Las Vegas, Nevada
Charles Morgan, Private Citizen, Las Vegas, Nevada
Marko Sakren, Private Citizen, Las Vegas, Nevada
Rich Hopkins, Business Owner, Las Vegas, Nevada
Joe Crocco, Member, International Alliance of Theatrical and Stage
Employees Local 363
Ruben Bankston, President, International Alliance of Theatrical and Stage
Employees Local 363

[Assemblyman Munford assumed the Chair.]

Vice Chair Munford:

[Roll was taken.] This morning we have two bills to hear. The first bill we are going to hear is Assembly Bill 447.

[Committee members were provided with an explanation of the bill ([Exhibit C](#)).]

Assembly Bill 447: Revises the provisions governing certain partial property tax abatements for businesses in this State. (BDR 32-519)

Assemblywoman Marilyn Kirkpatrick, Clark County Assembly District No. 1:

Let me provide some history concerning A.B. 447. I have worked on tax abatements since 2007. We looked into their history and how often they were being used. We found that Nevada did not offer anything to the smaller companies moving here, nor did we have a good program for the companies trying to expand. Our statute is very clear: To qualify, companies need to have 50 employees or more with less than \$100,000 in capital investment. Larger companies needed 75 employees and a larger capital investment. We found we were losing a lot of our businesses. Businesses with between 20 and 30 employees turned out to be the businesses we should have been focusing on, because those were the ones that were using several ancillary businesses within our state. They were using more local vendors, and they were actually producing more than businesses with 75 employees. The smaller businesses were actually doing a better job of turning the economy around within our state. We cannot forget about the businesses that have been invested in Nevada for a very long time. They have stuck by us when times were good, and they are still sticking by us when times are bad.

This bill changes our entire tax abatement process. It would help the smaller businesses get started. We have heard that the first years are the most difficult for small businesses, so this would allow abatements for the larger businesses as well as smaller businesses with one to five employees. Incentives are best for those businesses that are expanding. In the past, we have not done a good job retaining the businesses we bring here. In the 1990s, there was a study done on existing abatements. The study showed that most businesses outgrew our state after about five years, which was consistent with the time their abatement ran out. This would allow a smaller business coming into the state to get a leg up. It would also help those businesses keep growing. This bill gives them an abatement on their personal property tax that will not take anything away from local government, as we have done in the past.

Vice Chair Munford:

Are there any questions from the Committee? [There was no response.] Is anyone in the audience in support of this bill?

Lindsay Anderson, Director, Business Development and Research, Division of Economic Development, Commission on Economic Development:

Our office receives applications for tax abatements. As Chair Kirkpatrick said, A.B. 447 makes the personal property tax abatement program available to smaller companies that are trying to grow. As we know, small businesses employ and create a majority of the jobs. Right now, they are not able to take advantage of the tax abatement program we have. Currently, companies relocating to urban areas, which we define as Clark and Washoe Counties, must make at least a \$50 million capital investment and have an average wage for their new employees of over \$20 an hour. These thresholds are rarely achieved by the majority of our prospects with more average-sized capital investments of \$10 million. The proposed changes to the program would allow smaller companies to take advantage of a portion of the abatement process. The tiered system allows companies with fewer employees to take advantage of a tax break that may encourage them to purchase new equipment. However, it continues to reward companies that hire many people by enjoying a larger amount of savings. Essentially, the system ties the amount of job creation to the level of abatement in a way that has not been done before.

We anticipate that there may be a fiscal note attached to this bill. Because it broadens the program parameters, we expect an additional surge of applications from companies applying for tax abatement. Other than that, we are in support of A.B. 447.

Vice Chair Munford:

Thank you. Are there any questions? [There were none.] Does anyone else want to speak in support of this bill? [There was no response.] Is anyone in opposition to this bill? [There was no response.] Is there anyone who is neutral?

Chris Nielsen, Interim Director, Department of Taxation:

We are neutral on this bill. I want to echo what Ms. Anderson said with regard to a fiscal note. We were not asked to do a fiscal note, but upon further review, we believe we are going to have to submit an unsolicited fiscal note. We audit these types of abatements, and with the increased number of applications, we made need to adjust our staffing to make sure the businesses receiving abatements are audited. We will be submitting that.

Assemblyman Stewart:

If I recall, small businesses could possibly receive a tax increase because of the sunseting of some tax reductions. They are now paying 0.5 percent and that will rise to 0.63 percent. Is that correct?

Chris Nielsen:

If you are referring to the Modified Business Tax (MBT) . . .

Assemblyman Stewart:

I am.

Chris Nielsen:

Yes. Generally, you are correct. The current rate is a tiered rate at 0.5 percent and 1.17 percent once the \$62,500 threshold is reached. That is scheduled to sunset and return to 0.63 percent, but the Governor has recommended in his budget that the rate return to 0.5 percent.

Assemblyman Stewart:

The sunset might hurt them, so this might balance that by helping them.

Wes Henderson, Deputy Director, Nevada Association of Counties:

The Nevada Association of Counties (NACO) believes that tax abatements are an important part of an economic development process; however, as most of the taxes that are abated are local government taxes, we feel the local governments should have a say in the granting of abatements. We are banking on previous testimony by the Nevada Commission on Economic Development that it would not issue an abatement that was against the wishes of the counties, and we hope that practice continues.

Vice Chair Munford:

Are there further questions from the Committee? [There was no response.]
Would you care to make any closing remarks, Madam Chair?

Assemblywoman Kirkpatrick:

I would like to point out that this bill is slightly different because we based it on hourly wages. You will see \$40-an-hour wages, \$25-an-hour wages, and \$15-an-hour wages, so this allows us to encourage businesses to pay higher wages within our state, at the same time as they are exporting 50 percent of their goods.

Yesterday, I spoke about the state prison in Jean and the little company next to it. That company has been out there since 1984, but was unaware of state policies. This location is one of that company's 16 worldwide headquarters.

Talking to them, they mentioned being interested in expanding their operations and they were already paying a fair wage. This bill would encourage them to pay higher wages. If a business has been here since 1984 employing 18 or 19 people for that long a period of time and they are willing to expand, we should help them do that.

I do want to point out that this does bring higher wages. Higher wages bring higher MBT dollars to our state as well as the discretionary spending within the state made by employees. I understand NACO's concerns, but my message to them has been consistent—any time we can bring new revenue into our economy that gets spent locally, that helps all of us.

Thank you, Mr. Vice Chair and Committee members, for the opportunity to present this. I realize there is a fiscal note, and I am sure it will need to be referred to the Assembly Committee on Ways and Means. I will work on getting an exemption for the bill.

Vice Chair Munford:

Are there any other questions or comments? [There was no response.] I will close the hearing on A.B. 447. We will now move to Assembly Bill 506.

[Committee members were provided with an explanation of the bill ([Exhibit D](#)).]

Assembly Bill 506: Provides for transferable tax credits to attract filmmakers to Nevada. (BDR 32-682)

Assemblywoman Marilyn Kirkpatrick, Clark County Assembly District No. 1:

This bill is the result of a working group that met during the interim. We were trying to find a way to encourage movie people to come to our state. During the last legislative session, I was adamantly opposed to giving any more credits to the movie industry because across the nation we had seen that those credits were not necessarily working. New Mexico instituted a very aggressive tax abatement program during its last session. They were actually giving cash to companies that would go to their state. As we all know, within our *Nevada Constitution* we cannot do that. During the interim, I committed to trying to find a different way to capitalize on our training dollars and capitalize on the businesses that are already in our state. It really does not do us any good if they bring all their costumes from wherever they are coming from. It does not do us any good if they bring their own caterers, but if there is a way for them to utilize those types of businesses within our state, that is what we want.

Assemblywoman Neal should get the credit. She spent a lot of hours working on this. Assemblyman Aizley developed the shell for a bill, but my concern and the reason I asked Ms. Neal to work on this at great length was because we were very unsure at that point how the makeup of economic development might change, and we needed to have a clear direction in place. The Governor issued an executive order to stop all regulations, which means that you can have all the bills you want, but if you cannot process the regulations you cannot get anywhere.

I asked Ms. Neal to work on it, and she did a fabulous job. I believe a couple of amendments are going to be proposed, but I can tell you that this bill is very consistent with legislation passed in Louisiana. Louisiana has had the tax credit in place since 2002. In 2009, some changes were made which are going to be addressed today. Several people in southern Nevada also want to testify, but I wanted to give the Committee some history regarding how we got where we are today. Yesterday, I talked about a movie production facility. There were tax abatements for one in the City of Henderson; however, the facility is not breaking ground and moving forward. I propose using some of our vacant buildings to help get a production facility which is the No. 1 goal as we have heard from the film industry. Again, I want to thank Assemblywoman Neal. She had a very short time frame to work on this. In a matter of a weekend she put this together.

James Reid, Member, Nevada Film Incentive Task Force:

I want to thank Assemblywomen Kirkpatrick and Neal and Assemblyman Aizley for all your work on this. We would not be here today without all your work. I am a member of the Nevada Film Incentive Task Force that put together a lot of this information. I am also President of JR Lighting in the City of Las Vegas—the largest motion picture grip and lighting rental house in the state. I have been a resident of Nevada since 1964 and worked on such shows as *Vegas Crime Story* and have a very strong tie to the film industry.

Incentives started in Canada about 20 years ago. By giving incentives, along with the currency exchange rate, Canada was able to take a large amount of business away from the United States. In the early 2000s, the states started getting into the incentive business. In 2003, four states were doing incentives. Now, 44 states are giving incentives; Nevada is 1 of 6 that does not. Part of the problem with the incentive history is that things have changed. In 2003, I was talking with a group of people who were talking about putting a studio in Las Vegas. We had a final deal worked out, when New Mexico started offering film incentives. They took our film studio, called it Albuquerque Studios and built it in Albuquerque, New Mexico. That film studio would have been built in Nevada if we had had something similar.

In 2003, locals and businesses in Nevada were gaining about 80 percent market share. Currently, Nevadans in my business and other businesses like mine are gaining about 20 percent market share. There has been a decline in the market. Our filming in the Nevada market peaked at about \$155 million and is currently down to \$81 million—that is a large decrease in the amount of work. In our company, we have had to lay off 30 percent of our employees over this time period to adjust for that. Other states, such as New Mexico, have created incentives. New Mexico jumped from \$12 million a year to \$175 million a year at its peak. Tax incentives will create jobs. Most states have shown incentives create 3,000 to 10,000 jobs.

One thing Nevada has in its favor is that it can look at everyone else's incentives, look at the advantages and disadvantages, and create a bill that works for Nevada and Nevadans. That is what A.B. 506 is. The bill creates a 25 percent transferable tax credit on most qualified in-state expenditures. All money spent in-state on eligible expenditures—Nevada labor, performers, rentals, hotel rooms, transportation, taxes, permits, food, et cetera—will be submitted to the Commission on Economic Development through the film office for review and certification. Then the producer would pay a third-party certified public accountant (CPA) to do the audit. All that information would be forwarded to the film office, the Commission on Economic Development, and the Department of Taxation. Tax credits would then be issued and would be good for three years. They could be transferred, sold, or used. The requirements are that a producer would have to shoot 60 percent of his project in Nevada. There would have to be a minimum expenditure of \$250,000 for a feature film or television series and a minimum expenditure of \$100,000 for commercials. Assembly Bill 506 also allows 100 percent credit towards state-leased buildings and state lands—which is quite a coup for us. The 25 percent transferable tax credit puts us on an even keel with all the states around us, so the playing field will now be level. The added advantage of using state buildings adds a carrot to encourage projects coming to Nevada now that the playing field is level.

During the filming of *Vegas*, all the tourists wanted to come to Las Vegas to see where Dan Tanna lived and worked. If you saw *The Hangover*, you noticed the bump in tourism after that movie was released. *The Hangover* was shot for eight days in Nevada; the rest of the film was shot elsewhere—mainly in California—but people still come to Caesars Palace looking for the "Hangover" suite. Caesars found it had to build a Hangover suite, there was such a demand. That job should have been shot in Nevada. Had we had an incentive, that job would have been shot in Nevada. Because it was not, we lost a lot of jobs. Some say the tourism bump from that film is as much as 7 percent. In the handout I provided ([Exhibit E](#)), you can see a large jump shortly after it

happened. After every major film like that, such as *Ocean's Eleven*, you will see a bump in tourism. Other states show as much as a 5 to 10 percent bump in tourism because of major feature films. *Field of Dreams* is a good example; people are still going to that field to see where that film was made.

Can we afford it economically? We cannot afford not to do it. We have done an economic study of our own based on businesses like mine and payroll companies in southern Nevada. I put together an economic impact study that you will see on the Executive Summary page of my handout ([Exhibit E](#)). We used \$200 million as a base of how much new business we would get that would be incentivized—meaning a \$50 million incentive. I looked at my business and businesses like mine and how much we pay in taxes. We pay about 3.88 percent of our gross in taxes, and we charge our customers 8.1 percent use tax. That is how I arrived at the aggregate number of 11.47 percent on all my business.

Expenses for labor include the Modified Business Tax and unemployment taxes that are paid directly by the employer. The employees pay taxes such as sales and personal property taxes as well as transportation taxes such as car permits or fuel taxes. That helped us arrive at the 13.38 percent figure for labor. Labor tends to be 75 percent to 25 percent business, so we gathered those numbers giving us a total from the direct expenditures of \$26 million.

Speaking to representatives from MIG, Inc.'s IMPLAN and Applied Analysis, I was told to expect a 0.7 direct job creation correlation based on our jobs. Those jobs would be anywhere from *Entertainment Tonight* coming to shoot in Las Vegas, to people in the cast and crew buying extra items, going to grocery stores, et cetera. We added that expenditure at the same rates and we get another \$18 million back. Nevada is different from New Mexico as far as tourism, so we did not want to think of a number as large as 7 percent. We decided to err on the conservative side, and we think we would see a bump of about 1.5 percent in tourism. Based on Applied Analysis's numbers, that would be about a 7.46 percent tax rate, gathering another \$31 million—giving us a \$76 million return on a \$50 million investment. That would equal a 1.53 percent return, which makes us where we want to be—fiscally positive.

We are asking for a couple of minor changes in the bill to adhere to the idea of the bill. The 25 percent transferrable tax credit should be based on Nevada residents and Nevada businesses. That will help us create jobs for the people who live and work in our state. We also would like the extra 5 percent to go to members who come out of a qualified training program—whether through a college, high school, or trade school training program. We are going to need help. We are going to need people, and this is an opportunity to train people.

I taught movie classes at the University of Nevada, Las Vegas (UNLV), and the ability to train a crew quickly is fairly easy. It does not require a lot of education; but it does require some training. It is a hands-on job. A lot of people who work in the trades now can take their skills and move them to the film industry. Painting a set wall is similar to painting the interior of a house—the same skills. If you can run a saw, you can build a set. Those kinds of skills can transfer over, so we can use a lot of the people who are currently out of work and put them to work in the movie industry. This will bring more businesses back to Nevada. I want more businesses here. I run a business that is very successful here. We need more businesses like this. We have had a lot of people talk about building studios in Nevada. We need a studio in Nevada. We also need all the ancillary businesses that will come with it. I have spoken to quite a few people who have businesses like that and they are very anxious to move to Nevada—the problem is that we do not have enough business. That business will come back with a transferable tax credit.

Vice Chair Munford:

Are there any questions from the Committee?

Assemblyman Anderson:

One thing I have always heard about film tax credits is the temporary nature of them. It is not always easy to get the brick-and-mortar setups such as one sees in Hollywood. Could you comment on that? Could you explain what this bill would do to get permanent business here—not ones that would set up shop for one production and then leave.

James Reid:

The brick-and-mortar companies will come as soon as a producer indicates he needs a studio in Las Vegas to take advantage of the film incentive. It has happened in other cities, and that is why we lost the Albuquerque studios. I have also spoken with a couple of different businesses that are interested in moving here, but we need to create the demand. The tax incentive creates demand. Businesses will then follow and set up shop here. I know of six that would move here, and yes, we will create brick-and-mortar businesses.

Vice Chair Munford:

Are there any further questions from the Committee? [There was no response.] Does anyone else want to speak in favor of A.B. 506?

Joshua Cohen, Member, Nevada Film Incentive Task Force:

I want to thank Assemblyman Aizley, Assemblywomen Neal and Kirkpatrick, and Senator Horsford who have been helping with this cause. There are 40 people here with me who are also in support of A.B. 506. They are just a

sample of the thousands of people who will be affected by this bill. We just wrapped up the Las Vegas 48 Hour Film Project during which several hundred filmmakers got together over the weekend and basically worked for free. It is not fair for people to work for free here. We really need to get them good-paying jobs. This is the type of bill that can do that. There are a lot of people who are out of work, or working in a job they do not want because it is not what they are trained to do. The demand is not here. If we create a demand here, a lot of people who are currently sitting on their couches will be getting up, going to work, paying car registration fees, gas taxes, and a lot of other things they would not otherwise pay.

I realize there is a question about the fiscal impact. No one knows whether it will be positive or negative. It is our assertion, based on the studies we have done and based on conversations we have had with economists, that it will be positive. We are going to be creating all these jobs which are also going to create secondary jobs. All that will create revenue along the tax base. By tax base, I am talking about city, county, and state, because every one of those entities will benefit. All that tax revenue will be collected in the year in which the money is spent. The credits will be issued after the money has been spent, which means we will already have had a chance to recoup a great portion—up to 90 percent—before the credit is issued, and the rest of it will come as the credit is issued. That is why we are confident that we will always be in the black with this program and that this will lead to items like school budgets getting more money.

Speaking of schools, I recently received a letter from a public school teacher named Jonathan O'Brien. He was working with us when we shot at the Southwest Career and Technical Academy—a Clark County public school. There is a big uproar now about cutting public school funds. It is a tough situation, but a lot of the programs that are getting cut are arts and entertainment or arts and activities. If the public is not able to provide these for the public schools, then the private sector has to step up and do that for them. About six months ago, we were shooting a TV pilot at a public school. We involved public school students, and there were about 50 students at our shoot. They were extras, they were production assistants, and they had a great time and talked about it for months afterward. This is the type of thing that will happen more and more frequently with more and more big productions. The Las Vegas Academy has some great programs. I would love to get an organization like that to do a movie soundtrack. Just think about our public school kids claiming that they did a movie soundtrack for a major motion picture. That sort of thing should come with these incentives, so there is a lot of benefit beyond just the economic benefit.

It was mentioned that Louisiana has some success, but the one advantage Nevada has to coming in 45th in this race is that we get to look at what the first 44 did right and what they did wrong. We can pick and choose which elements worked and which did not. The plan crafted in A.B. 506 does that very well. What we have done is taken all the great elements and customized them specifically for Nevada. I am not talking about outbidding New Mexico. No one wants to get into a bidding war with other states. As long as we are equal with them, our other natural advantages will kick in. Our proximity to Los Angeles is our No. 1 advantage. If a production needed to move here in a day, it could, and that is not feasible in New Mexico. There are also the TV series. There are five major TV series shooting in New Mexico right now at an average budget of about \$1 million a week. If those series were here, their people could fly home and see their families every weekend or even every night if they wanted to. That means we would have a lot of TV and movie stars here, spending money here, and drawing in more crowds.

Our second advantage is that we have a wonderful tax situation right now. There is no business tax; we have no personal income tax. As James Reid mentioned, there are taxes and revenues, but compared to most other states, we are very, very attractive. If you talk to most of the producers the Las Vegas film office has spoken to, the number one question they ask is whether Nevada has incentives. Our location, the Las Vegas Strip, the great tax base, and the proximity to Los Angeles are all secondary to the incentives. Once we include the incentives, we have a perfect situation that will propel us ahead of New Mexico and every other state in the region.

Vice Chair Munford:

Thank you. Is there anyone in the north who is in support of this bill?

Joseph Guild, representing Motion Picture Association of America:

I am here to offer support to A.B. 506. Generally, the Motion Picture Association of America supports these incentivization efforts in states around the country. It is a very competitive business that members of the Motion Picture Association are involved in. They support more opportunities to do film and TV production everywhere. Speaking as a Nevada taxpayer, I think this is a good idea to provide incentives for jobs in Nevada.

George Flint, Private Citizen, Reno, Nevada:

Last summer, Danny Thompson and several labor leaders affected by the decrease in the film industry in this state asked me if the brothel association was going to try to legalize the activity statewide. They said they might get behind the effort if some incentive money could be created from that effort—the regulating and controlling of an activity that is now illegal in Las Vegas. That

criminal activity represents about \$7 billion a year, and no one gets a nickel of it except the working women and their pimps. Seven billion dollars is going down the drain and no one gets a part of it. I know the first reaction to that is, "Maybe we do not want part of it." On the other hand, there is a lot of bad criminal activity associated with it. I could wax eloquent for hours, but I just want to quickly cover a couple of points. First, a recent movie was made called the *Love Ranch*. Ninety percent of that movie was shot in Albuquerque. It was a reflection, parody, or history of the Mustang Ranch run by Joe and Sally Conforte. I got to know the producer pretty well because he came to me for some guidance and advice. I also got to meet his wife Helen Mirren, who was the lead actress. He told me they had no choice but to go to New Mexico. Not only had New Mexico done all these things the other speakers have alluded to, but it had also arranged a \$32 million loan at 4 or 5 percent interest. All they did in northern Nevada was shoot some location shots that made the entire movie look as though it had been shot in northern Nevada.

The whole concept of the world's oldest profession is something very few of you, or none of you, really want to take time to think or talk about. It is a bit of a haunting subject. If you had statewide regulation and control of the world's oldest profession, it would not have any negative impact on Mr. Goedhart's Nye County or Mr. Ellison's Elko County. As the Mayor of Las Vegas, Oscar Goodman, told me a few years ago, "It would probably create an additional reason to come to Nevada." John Smith, a respected columnist in Las Vegas, recently said in the *Las Vegas Review-Journal*, "Las Vegas is now no longer a gaming capital with sex; it is now a sex capital with gaming." The bottom line is this: I have done some arithmetic so I can tell you, conservatively, if we had the courage, and you had the inclination to look at the possibility of expanding the world's oldest profession statewide, in Clark County alone it could create—and this is very conservative—a reimbursement to the county or to state and local government of \$392 million every biennium. I think that figure is conservative. The reason Danny Thompson came to me was he wondered if some of that money could be used as incentive money for the industry. Of course, how that money is used is strictly up to you and local and county government.

In all candor, what is happening today in both Washoe and Clark Counties is an unfortunate escalation of activity that is an embarrassment to the state and an embarrassment to local government. You already know how the Mayor of Reno feels about it. In Clark County, you know both top candidates for the upcoming election have put some stamp of approval on it. When Senator Reid made his speech recently, it sent several people underground because of fear or concern, but I believe adult people can talk about an adult issue. There is a huge pool of money that could be directed into efforts such as this, and I would love to have

the opportunity to discuss an adult issue on an adult basis, particularly when there is untapped money that could be used for positive things for our state.

Danny Thompson, Executive Secretary Treasurer, Nevada State AFL-CIO:

We represent the Screen Actors Guild and the stagehands and teamsters—the three groups who predominantly work in this industry. Since New Mexico has made the investment in this industry, we have seen a marked decline in the work available for these folks in Nevada. Unfortunately, they all want to film in Las Vegas, but what we have become is a place where they cut B-roll and then go to New Mexico and actually produce the movie. We are here to support this bill today. Because Las Vegas is the entertainment capital of the world, anything you can do to incentivize the film industry to return is an opportunity we have to cash in. Because of our proximity to Hollywood, it makes sense that we would at least be on par with these other states. If we could figure out a way to expand what is done to incentivize these producers to come here to work, it would truly create jobs in Nevada, and so we are in favor of this bill.

Vice Chair Munford:

Are there any questions for Mr. Thompson? [There were none.] Is there anyone who wants to testify in the south?

Frank Woodbeck, Director of Las Vegas Operations and Nevada Commission on Economic Development Workforce Initiatives, Division of Economic Development, Commission on Economic Development:

The Nevada Film Office and the Commission on Economic Development understand that in order to be competitive with other states, Nevada should consider adopting a film incentive program. Currently, Nevada is one of only a few states that offer no incentives to the film industry. This has caused the decline in requests that our Film Office has seen for feature films and television series over the last few years. For example, the film *Love Ranch*, which was just alluded to, was written for northern Nevada yet primarily filmed in New Mexico. Dreamworks' *Fright Night*, a film written specifically for Las Vegas, was also filmed in New Mexico where a tax incentive program is offered.

Just ten years ago, the television and film industry made decisions on where to take films based on locations, services, crew availability, and facilities. Today, producers in all the major studios and production companies in California have gone on record stating that they do not even consider bringing a film to a state that does not offer a film incentive. Sadly, the industry is no longer run by the creative artists but by accountants. Obviously, we realize that bringing more production to Nevada can have a positive impact on our economy and increase the state's visibility on the big and small screens, which can boost tourism,

facilitate the creation of new jobs, and foster and cultivate our local filmmakers in the film community. However, we have to make the proper business case for incentives in Nevada—one that provides for revenue enhancement through tax collections and net positive economic impacts through job creation and small business development.

That being said, we have researched the economic impact of this industry by using the econometric model that we use for evaluating incentive abatements for other industries, and feel the 25 percent transferable tax credit is not defensible. In Nevada, we do not collect taxes in categories other states do and if we do not collect them, we cannot rebate them. We looked at and ran the econometric model for the actual expenditures on ten feature films produced over the last three years. In each case, we discovered taxes potentially collected in all categories equated to between 12 and 14 percent of qualified expenditures. Therefore, we feel the sustainable tax credit number would be in the 10 percent range. I would add that our southwest neighbor and seemingly biggest competitor, New Mexico, has modified its incentive program. The legislation currently in its house/senate conference committee would keep the 25 percent incentives but cap the annual cost of \$50 million. The next step is for it to be signed by the governor who had been asking for larger cuts to 15 percent with a cap of \$45 million.

The film and television production industry does not like caps. Rather than fixing a specific percentage in the legislation, we advocate the flexibility found in Assembly Bill 418 which allows for the setting of specific regulation by the Commission on Economic Development in cooperation with the Film Office. We can then include other potential perks such as advantageous location costs that could be provided by municipalities around the state as draws for this industry. Also, we would have the opportunity to scale incentives geared to standard film and television production and to new technologies in digital media such as video games, digital animation, and other digital space opportunities.

Therefore, we would be happy to draft a friendly amendment to this legislation and present it to the Committee for consideration. To reiterate, we are in favor of this bill conceptually, and we want to create sustainable programs that will have a positive impact on Nevada in many ways by creating jobs and growing small businesses for the long term.

Vice Chair Munford:

Does anyone have any questions?

Joshua Cohen:

Mr. Woodbeck, did your studies include secondary revenue sources generated by tourism?

Frank Woodbeck:

The econometric model includes secondary revenue sources from other jobs being created. Though I do not doubt that there is an impact on tourism, we cannot estimate it appropriately or accurately, so we cannot include it in the model. And I read through the Executive Summary ([Exhibit E](#)).

Joshua Cohen:

You read through it and saw there was a 10.5 percent increase in Clark County gaming revenue?

Vice Chair Munford:

We have a question from a Committee member for Mr. Woodbeck.

Assemblywoman Neal:

You referred to [A.B. 418](#). What sections in this bill were you referring to?

Frank Woodbeck:

I was referring to the bill in general, because it does not contain specific guidelines regarding a percentage for the investment tax credit. It alludes to digital media, but not specifically, and also mentions future technologies.

Vice Chair Munford:

We will take testimony from the north now.

**Dan'I Cook, President, International Alliance of Theatrical Stage Employees
Local 720:**

You have heard statistics and other testimony, but I would like to go on record as being in favor of this bill.

**Tony Genneralli, Member, International Alliance of Theatrical Stage Employees
Local 720:**

I want to thank everyone who was involved in putting this together. I have no prepared notes, but I am here on behalf of the technicians we represent and their families and the jobs that have been lost over the years in the State of Nevada through runaway production that has been done in other states. I am also speaking with the support of the Las Vegas Convention and Visitors Authority. They are in unanimous support for [A.B. 506](#) or anything else that would bring more work back to Nevada. There is an impact on tourism as a whole. The movie *21* was shot here, and made people want to come here

and play blackjack. There is no reason something cannot be done on behalf of the workers who, as was mentioned before, are just staying home. They could get up and be able to go to work.

I want to address Assemblyman Anderson's question about brick-and-mortar business. There was interest in building a five-stage studio southeast of town that would employ hundreds of technicians to work on script after script after script. It was approved and ready to go up, but it was shot down because there was no incentive to come here.

I get asked to speak at the Nevada Art Institute fairly often where I talk to up-and-coming film students who are preparing and learning their craft. They want to know where they should move to pursue their craft because there is not the production in Nevada to support them the way there used to be. There are so many offshoot jobs created because of film production in Nevada that you may not be able to see, such as construction, floral shops, and catering businesses. Once a production is complete there is an impact on the viewing audience: those people want to come to Las Vegas, come to Nevada, and visit the places the films were shot.

On behalf of the workers—the technicians this will affect—we are ready, willing, and able to train and bring people up to speed and create the workforce. All we are asking for is a level playing field so we can compete with all the states offering these incentives and taking the jobs out of Nevada.

Vice Chair Munford:

Are there any questions from the Committee? [There was no response.]

James Clark, Business Owner, Virginia City, Nevada:

Over 25 years ago when the Motion Picture Division was created, I spoke many times to its representatives. At the time, I owned a company called the Nevada Film Agency. I felt that this part of the state was well suited for filmmaking. Out of my own pocket, I was able to get about 36 films to come into the state at the time. I got a little disappointed toward the end, expecting more participation from the state. I moved on, and since that time, if you want to look at my website <JamesClarkandCompany.com> I have done nearly 300 films, but not once did I come back to Nevada. I did films in Colorado, California, Arizona, and New Mexico. I came back a few years ago and found that things were still the same. Just six weeks ago, the State of Arizona asked me to participate in scouting locations because my specialty is trains. I went to Arizona, helped scout the locations, and asked the man from Disney if it had considered Nevada. "We have a great railroad and a train such as you are describing for this film," I said. He asked if Nevada ever gives any incentives.

I said, "No." He asked whether Nevada had any sets, and I again replied, "No." He asked if there were a soundstage. The name of the film is *The Lone Ranger*, and Johnny Depp plays Tonto.

My point is that I worked so hard on this effort some 25 to 30 years ago, and people balked at it. I came back to Nevada because I love the scenery and the people. I am semiretired, though I have brought two films to Virginia City, and they have been successful. They are \$20,000 and \$30,000 films, but you need \$100 million films, and just a few weeks ago, someone from Disney said that it does not even think of Nevada.

Last year, I took the locomotive from the Virginia & Truckee (V & T) Railroad to Los Angeles and did *Water For Elephants*. It got us involved and brought some money to the commission that has worked hard to build this railroad. We had to get the locomotive back, but some footage remained to be shot and I suggested shooting the remaining scenes in Nevada. I was told that they do not go to Nevada. They took the cars they needed to make the scene work to Tennessee and rented another steam engine to finish the film. Except for something they might need in Las Vegas, they do not really think of Nevada, yet there is wonderful scenery in the northern part of the state that is untapped. The fellow from Disney told me that we had great scenery, but that until we get an incentive, no one is going to come here to make movies.

Assemblyman Livermore:

Mr. Clark is the real deal. He helped create the film industry/tourism department in the State of Nevada. Your credibility in the industry is the essence of what this bill will hopefully provide and do. I encourage this Committee to discuss this further with Mr. Clark. He knows what it takes to make movies. He knows the industry, and his reputation is top notch.

Vice Chair Munford:

Are there any other questions for Mr. Clark? [There was no response.] Let us move to the south again for anyone in support.

Gary Sauer, Private Citizen, Las Vegas

I am a key grip in the film industry. When we are shooting a production downtown on the Strip or where there are tourists, we draw a crowd. From a couple dozen to a couple hundred, we are guaranteed to have an audience. When on the set working, someone will always ask the same question: "What does a key grip do?" I say, "That is me." I am head of the grip department. When an electrician sets a light, my crew controls the light. Grips are responsible for camera dollies and cranes to move the cameras or fly through the air. We build and engineer devices used to make the dynamics of the scene

all work in concert—lights, camera, and action. I am always amazed that hundreds of tourists from all over the world walking through the sea of lights, money, music, and dancing girls, choose to stop and ask me about my job. Then I look around the set. There are a lot of people running around with cameras, makeup bags, and giant lights. There are models, actors, famous people, stuntmen, and sometimes, explosions—wow, I have a pretty cool job. No wonder people stop and watch. I bet they tell everyone they saw a movie being filmed in Vegas. When you see it happen for the first time, you never forget it. I am keying a Bruce Willis/Catherine Zeta-Jones movie shooting here at the end of the month. It is a \$12 million feature about Vegas and the people who play here. They will be shooting for six weeks—five days of that six weeks will be here in Las Vegas. The other five weeks will be in Louisiana solely because they have a tax incentive program in place. The movie has absolutely nothing to do with New Orleans, yet they will get almost all of the \$12 million and put hundreds of people to work. I will work for a few days and then be out of a job again.

Since I have been in the business, I have worked more than 12 days a month every month. Last year, I barely worked a dozen days. I was on unemployment for almost the whole year. We have lost hundreds of jobs to states with incentive programs, and by the time you decide on this bill, we will have lost another \$12 million. The worst part is that we are losing out on more than income. We lose jobs, people, gaming revenue, and advertising. The film business is an important part of this community employing thousands of people, and I am one of those people.

Vice Chair Munford:

Thank you. May we hear from the next speaker in support?

Joshua Cohen:

I wanted to address a couple of comments by Mr. Woodbeck. Mr. Woodbeck discussed 12 to 14 percent tax revenue from these jobs. I believe those numbers do not include all the tax revenue generated from tourism. If you look at the Executive Summary I submitted as part of my packet ([Exhibit E](#)), you will see there is a 10.5 percent increase in Clark County gaming revenue for the year after *The Hangover* came out versus the year before. Granted, not all of that increase can be attributed to the film, but I think it would be very fair to assume that at least 1.5 percent out of that 10.5 percent can be attributed to the film. I believe Mr. Woodbeck's numbers do not take into account any of that. Once you include that 1.5 percent, you will see we get over the nut we have to make to be fiscally positive, so I believe the 12 to 14 percent not being able to pay for the 25 percent is incorrect because they are two different aspects of the proposition.

Mr. Woodbeck mentioned A.B. 418 in which most of the rules are established by the Commission on Economic Development. I believe most of the rules he would be establishing in the Commission have already been established by Assemblywomen Neal and Kirkpatrick. We would be happy to have the Commission's input and assistance in guiding specific rules. We would also like to have some input from the community—perhaps a representative from labor, from business, and a couple of different people from the Film Incentive Task Force to make sure people on the Commission who are not necessarily as well versed in film and television business can get more professional input as far as legitimate deductions and how much would be legitimate. There are a lot of things we could give input on, and we would like to make sure there is some mechanism in place to ensure the Commission is taking input from the private sector.

Mr. Clark mentioned that we do not have sound stages here, but we do. There are four or five around Clark County, but they sit empty 28 days a month. We do have the infrastructure here; it is just a question of getting the incentives.

Vice Chair Munford:

Are there any questions?

Assemblyman Anderson:

Mr. Cohen, could you give us a rundown on how tax credits in other states—specifically Louisiana and New Mexico—have led to permanent infrastructure? That is one thing I am really focused on. If we are going to give tax credits, I want to see some permanent development and not just productions.

Joshua Cohen:

New Mexico has a 25 percent rebate program. Obviously, we cannot do that here. The individual producers still look at it as a 25 percent credit, so our transferable tax credit will be viewed almost as favorably as New Mexico's. Could you clarify your other question?

Assemblyman Anderson:

I understand that films are not permanent, but I am very interested in developing permanent businesses around any tax credit we do to bring in films. I want to see that this will lead to permanent jobs for Nevadans, if we are going to give a tax credit. I was hoping you could expand on any ways the film incentives in other states have led to permanent jobs and permanent support structure for the film industry.

Joshua Cohen:

There are several answers to that. Assembly Bill 506 goes further than A.B. 418 in providing for a 100 percent credit toward buildings or land leased from the state. If a production were to come in and set up a facility, the state would be providing it with a facility at very low cost. Basically we would be getting a zero-interest loan from the producer for that year. There are also a lot of small businesses. James Reid mentioned that he had spoken to six different companies that were planning on coming into the state. He has one shop in the City of North Las Vegas. Based on my conversations with him, if this bill were to pass, he would be able to move into a facility twice as large, employ twice as many people, and open a branch in the City of Reno to service northern Nevada. Right now, there are no rental houses in northern Nevada that I know of because there is no demand. There is a little demand for it, but there will be a lot more once places like Virginia City become regular filming locations.

It is cheaper to store equipment in Nevada than it is to store equipment in California. As a result, you would see a lot of rental houses open branches here. They might even establish those for themselves. If Warner Bros. Pictures or Paramount Pictures is shooting three, four, or six movies a year here, they will build their own studios on their own dimes, and that is what leads to permanent jobs.

Vice Chair Munford:

Are there any questions?

Assemblywoman Benitez-Thompson:

Looking at the amendment, I see there is language to remove reality shows and award shows. What is the thought behind that? We have the infrastructure for award shows in Las Vegas. Those are contractually based and oftentimes they are looking for benefits and deals to bring those shows to Las Vegas for that contracted time. As long as the rest of the requirements of the language are met, such as the \$250,000 floor or everything laid out in section 5, would those types of shows then be considered? I would like to see those types of shows remain in the bill.

Assemblywoman Kirkpatrick:

Louisiana has had the transferable tax credit since 2002. They recently made that switch in 2009. I have a copy of the act and can provide it to Committee members. As those types of shows come here often, they typically work with the convention authorities and with tourist groups. For instance the Country Music Awards show brings a number of different people at the same time. The rodeo is similar in that it brings an entire group of tourists who we count on. It brings a big retail cowboy Christmas show, and those people are

already coming. We do not want to give away the farm, so we need to get back to the film industry. Reality shows, music awards, all of those are already coming. I can get you a copy of the report that shows we did quite a few reality shows in the last year.

I do believe we need to put a sunset on this so we can revisit it in a couple of years to ensure that it is producing jobs. I understand what other states and Canada have done, so as the bill's sponsor, I believe we need to try to get this market back. I also believe that people have to invest in our state for the long term and we have to see if we get those ancillary businesses. One thing other states require is that companies put their headquarters in those states. We are trying to make this work, so during this two-year interim we must try something and see if it does work because across the nation it is changing.

Assemblywoman Benitez-Thompson:

I can understand the reasoning behind reality shows. I may be off base, but I think there might not be as much construction or the jobs we are looking for. However, award shows might utilize construction and designers for their sets, which might lead to jobs here.

James Reid:

The Las Vegas Convention and Visitors Authority is already giving them some kind of abatement. We are doubling that effort by putting abatements in this bill. Also, those shows are already coming to Las Vegas. We are trying to create new jobs, and that is what this bill is trying to do.

In response to Mr. Anderson's previous question, New Mexico built Albuquerque Studios. They created a 120,000-square-foot facility. Three lighting companies and an insurance company I am aware of have set up offices there. In Louisiana, Baton Rouge has a large stage; New Orleans has a large stage now, and I know of two or three lighting companies that moved there along with a few ancillary businesses targeted to our industry. So yes, brick and mortar does come with this kind of incentive. That is why we do it.

Assemblywoman Flores:

There are suggested amendments on the Nevada Electronic Legislative Information System (NELIS). One of them talks about reality shows and award shows, but it does not say who submitted it.

Assemblywoman Kirkpatrick:

There was a bit of confusion. I had requested a Committee bill quite some time ago so that we could have this discussion and move forward. It was my commitment from last session. Mr. Aizley also requested a personal bill along

the same lines. We scheduled the Committee bill because there was no ownership of it. It belongs to the Committee. The Committee discussed it and it became Committee policy last session.

We do need to have some parameters in statute. I understand that we need flexibility, but we also need some basics within the statutes. I have a great working relationship with the film industry and the Film Office right now, but what happens if those people are not there tomorrow?

There are quite a few amendments. I have spent some time making sure this bill could get an exemption, so if it is the Committee's pleasure, it could be referred to the Assembly Committee on Ways and Means for further discussion. There has to be a lot more discussion on the transferable tax because, unlike Louisiana, we do not have a transferable tax. It is a unique idea to our state, but I think we have to try something for the next few years. In two years, if we do not see anything, then, as a Legislature, we can say that we tried it but it did not work. We have abatements so film companies could come to Nevada and build their studios. We possibly could have this transferable tax or something like it. At that point, we will have done our part. We have to give it a try, and I did make the commitment. There are a lot of amendments, and to be honest, I have not looked at all of them. If this bill makes it out of Committee today, I will be happy to sit down and work with everyone and discuss the bill while it is in the Ways and Means Committee.

Assemblywoman Bustamante Adams:

Actually, Chair Kirkpatrick answered my questions, but I do like the idea she proposed concerning referring the bill to the Ways and Means Committee so we would have time to flesh out the amendments and work through them.

Assemblyman Ellison:

I have a lot of concerns with the language in some of the amendments. Do we need to start trying to put our foot in the door to give them a hand? I agree; however, consider the amendment proposed in section 10, subsection 1(h) involving payroll deductions for crew members, performers, and on and on. The Chair mentioned giving away the farm. Not only would we be giving away the farm, this would be giving away the studio. I think a lot of work needs to be done on this. Do we need to get a start? I agree, but what is the total impact going to be? That is No. 1. What is going to be the impact to the state, the pros and the cons? If this bill had come to us earlier, we could have worked a lot of these issues out. I think the Committee on Ways and Means is going to have the same problems.

Assemblywoman Kirkpatrick:

Maybe we should have heard it sooner. I have my own concerns with section 11. I think that whole section should be deleted so we can move farther, but if it is exempt, that means they have a lot more time, the next 30 days, to hear it. I believe we could probably work with the Chair of Ways and Means to form a subcommittee to start revisiting it. I am adamant that some of it has to go in statute. We cannot let everyone else decide what goes in regulation. We can be somewhat fluid because the movie industry is also fluid, but we have to have a standard for our state. As far as I am concerned, you have to bring your other business to us. You have to bring your catering and transportation companies. It is expensive to transport gear on an airplane. It is expensive to haul it. If we can get them to bring those services to our state, that would create an economic impact. At the same time, the film industry has to know that we only want you in Nevada if Nevada benefits. Nevada has a lot to offer but Nevada has to benefit. That is why we need to try something unique and different in our state. I know Mr. Woodbeck stated that the film industry does not like caps; well, here is the deal. We need to make sure Nevada residents are going back to work and benefitting from all those little things the film industry brings. I drive past the "Welcome to Las Vegas" sign all the time. There are always people out there with movie cameras filming, because that is a hot spot. Those people who stop there are running across the street getting a Subway sandwich or buying gas and that all generates revenue. But we have to be able to see it on paper.

I realize a lot of work went into this bill, and I think Mr. Aizley and I will agree to disagree, but let us just have a wide open bill and let other people do regulations. Ms. Neal did a great job putting some parameters in place. Does it need more discussion? Absolutely. Do I think we have time for that? Absolutely. Are we going to agree to disagree? Of course we are. The industry versus the Legislature, but at the end of the day, the Legislature has to do what is the best policy for all Nevadans.

Vice Chair Munford:

Any further questions?

Assemblywoman Flores:

I absolutely agree with my colleague. If there was a way we can get this bill exempted and continue the discussion, we absolutely need to. There was also some testimony given that Nevada just is not competitive, and not just in this area. We are not competitive in a lot of different areas. Frankly, I am tired of not being competitive with the surrounding states. I think this is something we should make a priority and finally get us on par, if not better than, the surrounding states—especially when we talk about economic diversification and

everything else we have been talking about. I feel strongly that this needs to be a priority, so thank you very much for bringing this forward and to everyone who worked on this. It sounds as though it is a really good idea and something that needs to be done. The amendments bring up quite a few good points which obviously indicate that there needs to be some discussion on this.

Assemblyman Livermore:

I have received a tremendous number of emails about this bill over the past couple of weeks. Testimony this morning, especially from Las Vegas, was about the people in this profession. If this could turn into just a small jobs bill that would hire the people already available, you would have my support to look at this bill and move forward with it. The essence of what we are here to do this session is to put Nevada back to work. This could definitely create jobs, and you have my attention.

Assemblywoman Neal:

I really thought the transferable tax idea was unique. Although people have never seen it before, just because it is new and an original concept does not mean it is bad. We need to be creative and try to deal with this bill.

Assemblyman Stewart:

Me too, to the comments by Mr. Livermore and Ms. Neal.

Vice Chair Munford:

Are there any more questions from the Committee? [There were none.] We are going to go back south. Is Joe Lamb at the table?

Joe Lamb, Private Citizen, Las Vegas, Nevada:

I never really thought about it, but when we are shooting on the Strip, we attract a crowd. I had the pleasure of working on *Star Trek: Generations*. Portions of it were shot in Nevada. We had to do it twice at the Valley of Fire State Park, so I got to know the superintendent there, Gary Shepherd, really well. He could not believe the number of times people came to the park, paid to get in, came to the visitors' center, and wanted to know where Captain Kirk was buried. He said this happened countless times. When we shoot movies here, it generates tourism as well as the support that goes on to supply the people who work on productions. The movie industry generates a lot of additional income to the state because of all the money we, as technicians, spend. We live here; we buy gas, we buy groceries, we go out to movies, et cetera. I really beseech the Committee to get this bill moving forward. Get it done, because we definitely need it in this state. We have lost a lot of revenue that has gone to other states. I would love to see our state come back. We are the capital of the entertainment industry, and we should also have a good

portion of the film industry. We deserve it and we have everything here, according to Mr. Cohen. We have everything they need here to make this work. It can work and it has in the past, but times have changed and now we need this incentive program. I want to thank you, Mrs. Kirkpatrick, and your staff for all your hard work, and I appreciate the opportunity to speak.

Vice Chair Munford:

Thank you, Mr. Lamb. We will go to other speakers, but would you please speak to the bill. In the interests of time, we have to stay on the relevant subject matter; and please, no repetition.

Charles Morgan, Private Citizen, Las Vegas, Nevada:

I am an ironworker and a stagehand. I just did my taxes yesterday. My medical benefits ran out February 28, 2011, and I was under the assumption that I could go on a federal program, but I worked 100 hours in June, and the program that would have assisted me with payments ran out May 31. I am spending \$80 or \$90 a month on prescription drugs. The drug I need, Plavix, a drug thinner, is \$729. At Walgreens, where I was getting it, it is \$600, so I need to get back to work. I hope things pick up soon. I would like to see more film work here.

Marko Sakren, Private Citizen, Las Vegas, Nevada:

I am a founding member of the Nevada Film Alliance—a group of several hundred people involved in film in Nevada, both north and south. I have been in Las Vegas since 1993 and am a filmmaker. I am trying to make a living here and trying to stay in Nevada. I have come to like the state. I love the scenery and the people. I have four projects on the table for the next several years. The investors I am working with are telling me to take production out of the state due to the incentives. We have to find the best opportunity to get money and make money. It will break my heart to have been here for almost 20 years, and now that I am finally making it as a filmmaker and as a production company, to have to leave the state to produce films.

Rich Hopkins, Business Owner, Las Vegas, Nevada:

I moved to the state in 1991 after I discovered its vast resources. As a new person moving to the state, just like everyone else, I thought the Strip was all there was and that everyone lived in hotels. Once I realized the great resources here, I decided to permanently move here from Los Angeles. The next year, I started my stunt and action sports company, Thrillseekers Unlimited, and I am now moving into production. Stunts and action sports are my passion. The skills I have acquired over the last 25 years have helped me with my production endeavors.

I just returned from shooting two weeks on a film. Unfortunately, it was not here; it was in Los Angeles. I just had a director/producer come to Las Vegas to do some location scouting. He is on the fence right now. He wanted to shoot in New Mexico. I asked why he did not try shooting right here. We have great people, talent, crew, resources. He said the same thing many other speakers have mentioned today. The thing that is keeping them from signing and shooting here in Nevada is the fact that they can go to Arizona, Utah, or New Mexico. It is disturbing that I cannot go to sleep in my own bed at night because I have to work elsewhere. As I move into producing, I am trying to convince people to come here to shoot and utilize all the great people we have here. It is very difficult and very challenging.

I also receive what is called stunt breakdowns which are similar to the regular film and television breakdowns. When I receive those, they are usually about 30 pages long. The first thing I do when I get those is go through and delete everything in Canada, which is about a third of them. Then I look through to see who the other stunt coordinators are. The majority of them are from New Mexico and Louisiana.

Vice Chair Munford:

Rich, could you just stick to the bill. I appreciate your comments, but just stick to the bill.

Rich Hopkins:

I will end by saying that I support everyone here and the bill. It is going to help everyone in this room and all those we work and associate with, and me, too.

Vice Chair Munford:

We are going to come back up north again, because we have some speakers at the table who are in support.

**Joe Crocco, Member, International Alliance of Theatrical and Stage Employees
Local 363:**

I have been a union stagehand for over 30 years. So far today, we have heard a lot of what Las Vegas has to offer, but I would like to remind the Committee that we have done considerable motion picture work up here in the north. Most of our work is location shooting. At Boreal Ridge we did *True Lies* under extreme snow conditions, and the Los Angeles crew did not even leave the production trailers. *Jack Frost* was also shot up there. At Donner Lake we shot *Ty Cobb*. When Carson City had the maximum security prison, we shot *An Innocent Man* because we have a lot of people with security clearances who can do this type of work. The movie *Things Change* was shot at Lake Tahoe.

Misery was shot in Genoa, and there have been several HBO shoots up here as well as commercial shoots.

I just wanted to let you know that there is a huge talent pool up here; so please do not discount that. Las Vegas is not the only city in Nevada. With the expansion of the V & T Railroad, I am sure we are going to see more location scouts looking to do westerns or sci-fi films here. With what we have to offer, northern Nevada can be working with southern Nevada to make this bill a positive thing for all of us. We are close to losing a lot of our jobs up here. I frequently travel on the road and I am seeing operas all over the country close down. Reno's opera has a bad financial situation at this time as well. I think this bill would be huge for job creation. The incentive to shoot more movies here is far better than what New Mexico has to offer. Although Las Vegas has the desert, Mount Charleston, and the city, we have quite a bit more up here that could be showcased and that is a very strong point for us.

Ruben Bankston, President, International Alliance of Theatrical and Stage Employees Local 363:

We have done a lot here. I have been to Santa Fe to an International Alliance of Theatrical and Stage Employees local and talked to some representatives. That local went from 300 members to over 1,500. They told me that with the experience I have in the film industry and stage—we are a mixed local in Nevada and we do everything—if I came down to their meeting one day, I could be a member and working the next day. I am from Baton Rouge, Louisiana, but I reside here in Carson City and have been here for 22 years. I go to Louisiana every year and see the work. It is unreal the way the place is growing with the entertainment business.

As Joe Crocco said, the area around here is the most beautiful area in the world, and a lot of film industries love to come here to shoot. Unfortunately, they like to shoot in the wintertime when the elements are really rough for our people here. If we could see this bill come through, it would sure build up a lot of work for us and would be a good thing. It would be a lot of work for different people, and not only for the stagehand union but for the catering and payroll businesses and the insurers, et cetera. I believe this would be a great thing for us to have go through.

Vice Chair Munford:

Are there any questions from the Committee? [There were none.] Is there any opposition to this bill in the north? [There was no response.] Is there any opposition to this bill in the south? [There was no response.] Is there anyone who is neutral in the north or in the south? [There was no response.] We will close the hearing on A.B. 506. We are going to take a recess [at 10 a.m.].

[Assemblywoman Kirkpatrick reassumed the Chair.]

Chair Kirkpatrick:

I am calling the Committee back to order [at 10:49 a.m.]. We are going to go through our work session and recess at the end of it, so we may have to close this meeting behind the bar tomorrow.

We will start with Assembly Bill 506, the film bill we just heard. I can have Michael Nakamoto go over it, or are you comfortable? I just do not think we need to go through the whole bill. [Committee members indicated they were comfortable.] With that I will take a motion.

ASSEMBLYWOMAN BUSTAMANTE ADAMS MOVED TO REREFER
ASSEMBLY BILL 506 TO THE ASSEMBLY COMMITTEE ON WAYS
AND MEANS WITH NO RECOMMENDATION.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

Is there any further discussion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMAN GOEDHART WAS
ABSENT FOR THE VOTE.)

We will move on to Assembly Bill 447 concerning tiered abatements that we just heard.

[Assembly Bill 447](#): Revises the provisions governing certain partial property tax abatements for businesses in this State. (BDR 32-519)

Assemblyman Ellison:

I move to do pass the bill.

Assemblywoman Bustamante Adams:

May I make a motion?

Chair Kirkpatrick:

Yes.

ASSEMBLYWOMAN BUSTAMANTE ADAMS MOVED TO REREFER
ASSEMBLY BILL 447 TO THE ASSEMBLY COMMITTEE ON WAYS
AND MEANS WITH NO RECOMMENDATION.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

Mr. Ellison, I appreciate that you wanted to do pass it, but it has a big fiscal note, so it needs to go to the Ways and Means Committee.

THE MOTION PASSED. (ASSEMBLYMAN GOEDHART WAS ABSENT FOR THE VOTE.)

We now will turn our attention to Assembly Bill 191. Everyone should have a work session document in front of them. I did pass them out yesterday for you to look at, and we will go to Mr. Nakamoto.

Assembly Bill 191: Revises provisions governing the partial abatement of certain taxes. (BDR 32-916)

Michael Nakamoto, Deputy Fiscal Analyst:

[Mr. Nakamoto read an explanation of the bill from his work session document ([Exhibit F](#)).]

Chair Kirkpatrick:

Thank you, Mr. Nakamoto. Mr. Conklin did include the College of Southern Nevada and the Desert Research Institute as we discussed within Committee, so that there were two levels of giving back. The intent was to go along with the Utah Science Technology and Research (USTAR) program. Ms. Neal had a bill that was similar, so I am asking to amend her name on this bill rather than try to pull the two bills together. It was easy; both bill sponsors were on the same page, so it would be easier to just include both of them on this bill. Nevada State College is not in there, but we could easily do that now under the smaller threshold.

Assemblyman Stewart:

I propose that we also amend the bill to include Nevada State College.

Chair Kirkpatrick:

Okay, and would it be under the College of Southern Nevada threshold or under the threshold with the universities?

Assemblyman Stewart:

The first.

Chair Kirkpatrick:

The first one, okay. With that, do I have a motion?

ASSEMBLYWOMAN PIERCE MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 191 TO INCLUDE NEVADA STATE COLLEGE AND
ASSEMBLYWOMAN NEAL AS A COSPONSOR ON THE BILL.

ASSEMBLYMAN STEWART SECONDED THE MOTION.

Is there any further discussion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMAN GOEDHART WAS
ABSENT FOR THE VOTE.)

Next is Assembly Bill 245.

Assembly Bill 245: Revises provisions governing eligibility for certain tax
exemptions. (BDR 32-348)

Michael Nakamoto, Deputy Fiscal Analyst:

[Mr. Nakamoto read an explanation of the bill from his work session document
([Exhibit G](#)).]

Chair Kirkpatrick:

Thank you. Mr. Anderson.

Assemblyman Anderson:

I just wanted to go on record thanking Mr. Stewart for bringing this bill forward.
It is a great flexibility tool, especially for a number of older, possibly more
disabled veterans. It is very helpful.

ASSEMBLYMAN ANDERSON MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 245.

ASSEMBLYMAN LIVERMORE SECONDED THE MOTION.

Is there any further discussion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMAN GOEDHART WAS
ABSENT FOR THE VOTE.)

We will now go to Assembly Bill 504.

Assembly Bill 504: Revises provisions governing delinquent taxes.
(BDR 32-922)

Michael Nakamoto, Deputy Fiscal Analyst:

[Mr. Nakamoto read a description of the bill from his work session document ([Exhibit H](#)).]

ASSEMBLYWOMAN PIERCE MOVED TO DO PASS ASSEMBLY BILL 504.

ASSEMBLYMAN STEWART SECONDED THE MOTION.

Chair Kirkpatrick:

Is there any discussion? [There was no response.]

THE MOTION PASSED. (ASSEMBLYMAN GOEDHART WAS ABSENT FOR THE VOTE.)

Now we will go to Assembly Bill 505.

[Assembly Bill 505](#): Revises provisions relating to governmental financial administration. (BDR 32-1147)

Michael Nakamoto, Deputy Fiscal Analyst:

[Mr. Nakamoto read an explanation of the bill from his work session document ([Exhibit I](#)).] One other thing I would add that is not listed in this work session document is the Fiscal Analysis Division did declare that this bill is eligible for exemption from deadlines pursuant to Joint Standing Rule 14.6. If there are any questions, I can answer them at this time.

Chair Kirkpatrick:

Are there any questions? [There were none.]

ASSEMBLYWOMAN BUSTAMANTE ADAMS MOVED TO AMEND AND DO PASS ASSEMBLY BILL 505.

ASSEMBLYWOMAN BENITEZ-THOMPSON SECONDED THE MOTION.

Is there any discussion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMAN GOEDHART WAS ABSENT FOR THE VOTE.)

Our last bill is going to be Assembly Bill 443.

Assembly Bill 443: Provides a deduction from the payroll tax for wages paid to newly hired full-time employees under certain circumstances. (BDR 32-711)

Chair Kirkpatrick:

I did give you some information this morning from the bill's sponsor of his proposed amendment. It is not in mock-up form, but it is in conceptual form.

Michael Nakamoto, Deputy Fiscal Analyst:

Assembly Bill 443 was sponsored by Assemblyman Brooks and was heard in this Committee on March 31. This bill provides a deduction from the Modified Business Tax (MBT) both on financial institutions and on general businesses for wages paid to certain newly hired full-time employees. Under this bill, an eligible employee would be one who is hired on or after July 1, 2011, one who has been unemployed for a continuous period of not less than 60 days at the time of hiring, and who is employed in a full-time position during the entire period for which the deduction is claimed. As long as the employer meets certain threshold requirements with respect to the number of employees and the number of hours worked, that employer would be eligible for a deduction from these taxes of 100 percent of the wages paid by the employer for the first four calendar quarters following the hiring of that employee, and then a deduction of 50 percent of the wages paid by the employer to the employee during the fifth through eighth calendar quarters, or the second year following the hiring of that employee. The provisions specify that the amount of wages that may be deducted from the tax may not exceed the increase in total wages paid to all employees during that calendar quarter as compared to the same quarter a year ago.

The amendments that have been suggested by the sponsor would add that the employer must employ a resident of the state in a job that would qualify as a primary job, and there are currently definitions in statute dealing with that. It would require businesses that wish to receive a deduction pursuant to this bill to apply to the Nevada Commission on Economic Development (NCED). It would provide for the same credit for an employee paid 150 percent of the average annual wage for two years if the employee is a resident of this state and has proof of receipt of Temporary Assistance for Needy Families (TANF) benefits or unemployment benefits from the state in the calendar year before the hire for any job in the state. It would provide the NCED will approve the eligibility for the tax deduction and require an annual report which includes the number of positions for which the credit was claimed, the name of the employees, the salaries and benefits paid, and any other records the Commission deems as necessary to meet the requirements for the deduction. Upon certification, the Commission would immediately be required to forward

the application for the deduction to the Department of Taxation. The Department of Taxation would be required to audit claims as necessary in the same manner as other abatement tax credit claims. And the last provision is that the deduction that is issued is not meant to be carried forward or to reduce the tax liability of a business below zero.

Chair Kirkpatrick:

For the Committee, there are two MBT bills. I chose not to bring Speaker Ocegüera's bill up, but as Mr. Brooks also has an MBT bill, the Speaker's name could be amended on it. Talking with the bill's sponsor, I believe mechanically there are some issues concerning how it works, and I fully recognize that. However, they believe they can resolve those issues. We heard from this Committee that we did not report the right information that the Department of Taxation was looking for. They did speak with NCED to see if they could administer it; but I do believe they are trying to work things out mechanically to ensure that they can get an MBT deduction, so I think there is more work to be done on this. But I do know that there is an appetite to help waive the MBT for those employers who hire new employees.

Michael Nakamoto:

There is one other thing I would like to add when I went through the bill. Assembly Bill 443 also has been declared eligible for exemption by the Fiscal Analysis Division.

ASSEMBLYWOMAN PIERCE MOVED TO AMEND AND REREFER
ASSEMBLY BILL 443 TO THE ASSEMBLY COMMITTEE ON
WAYS AND MEANS WITHOUT RECOMMENDATION.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE
MOTION.

Chair Kirkpatrick:

I know the intent and the goal they are working toward. Ms. Pierce, within your motion, did you include Mr. Ocegüera's name as sponsor on Mr. Brooks's bill?

Assemblywoman Pierce:

Yes, Madam Chair, that is included in my motion.

Chair Kirkpatrick:

Is there any further discussion? [There was no response.]

THE MOTION PASSED. (ASSEMBLYMAN GOEDHART WAS
ABSENT FOR THE VOTE.)

I failed to mention this earlier, and I want to put it out there for local governments. Assembly Bill 14 was the bill on abatements they had early on. Their amendment was not germane. I agreed to give their property taxes back to local governments. Those were property taxes on the abatements that we took from last session. For the Committee's information, I will amend that into Assembly Bill 447, but I did not do it this morning. So for the counties, I am committed to giving you your money back, but I just did not do it this morning. You can be assured that in A.B. 447 you will get your money back, but we needed to find a germane place to do it. Does anyone else have anything? [There was no response.]

There is one other bill I want to bring up during this work session. It is Assembly Bill 392.

**Assembly Bill 392: Provides exemptions from certain taxes for certain veterans.
(BDR 32-613)**

Michael Nakamoto, Deputy Fiscal Analyst:

The last bill on today's work session, and one for which you do not have a work session document, is A.B. 392. That bill was heard in this Committee on April 7, and was sponsored by Mr. McArthur. There are two separate provisions in it relating to exemptions granted to veterans and disabled veterans from the Governmental Services Tax (GST). The first provision is in *Nevada Revised Statutes* 361.090 relating to real property taxes. Certain dates are listed for eligibility of the veteran. The veteran must have served during these dates, and they are usually related to some sort of armed conflict the United States has been in. Section 1 of the bill deals with that, removes those particular dates, and makes the exemption apply to any veteran who meets the other requirements within the bill. The other provision of the bill amends provisions relating to the GST and vehicle registrations to provide that any fully disabled veteran receives a full exemption from the GST and registration fees for any vehicle owned by that veteran. This bill has been declared as eligible for exemption by the Fiscal Analysis Division.

Chair Kirkpatrick:

I have spoken to the bill's sponsor. We believe there is a fiscal note to this, and he is aware of that. He is going to look at the different dates he was exempting to see what the actual fiscal note is. The bill would go to the Assembly Committee on Ways and Means, and I believe the bill's sponsor is going to work on it from there. I would take a motion.

ASSEMBLYMAN STEWART MOVED TO REREFER
ASSEMBLY BILL 392 TO THE ASSEMBLY COMMITTEE ON
WAYS AND MEANS WITHOUT RECOMMENDATION.

ASSEMBLYMAN ELLISON SECONDED THE MOTION.

Is there any further discussion? [There was no response.]

THE MOTION PASSED. (ASSEMBLYMAN GOEDHART WAS
ABSENT FOR THE VOTE.)

With that, this Taxation Committee will stand in recess upon the call of the Chair. I want to thank the Committee. I know we have been working very hard, and I appreciate your efforts both on this Committee as well as on the other one. This is what the first deadline is like. The actual deadline is tomorrow, but as far as I am concerned, I believe we are in recess with no hope of coming back. We are in recess until the call of the Chair [at 11:18 a.m.].

[The meeting was adjourned behind the bar of the Assembly on Friday, April 15, 2011, at 12:03 p.m.]

RESPECTFULLY SUBMITTED:

Mary Garcia, Recording Secretary

Terry Horgan
Transcribing Secretary

APPROVED BY:

Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Taxation

Date: April 14, 2011

Time of Meeting: 8:12 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 447	C	Michael Nakamoto	Explanation of the Bill
A.B. 506	D	Michael Nakamoto	Explanation of the Bill
A.B. 506	E	James Reid	Handout
A.B. 191	F	Michael Nakamoto	Work Session Document
A.B. 245	G	Michael Nakamoto	Work Session Document
A.B. 504	H	Michael Nakamoto	Work Session Document
A.B. 505	I	Michael Nakamoto	Work Session Document