

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

**Seventy-Seventh Session
May 30, 2013**

The Committee on Taxation was called to order by Chairwoman Irene Bustamante Adams at 2:12 p.m. on Thursday, May 30, 2013, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 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 nelis.leg.state.nv.us/77th2013. 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 Irene Bustamante Adams, Chairwoman
Assemblywoman Teresa Benitez-Thompson
Assemblyman Jason Frierson
Assemblyman Tom Grady
Assemblyman Cresent Hardy
Assemblyman Pat Hickey
Assemblyman William C. Horne
Assemblywoman Marilyn K. Kirkpatrick
Assemblyman Randy Kirner
Assemblywoman Dina Neal
Assemblyman Lynn D. Stewart

COMMITTEE MEMBERS ABSENT:

Assemblywoman Peggy Pierce, Vice Chairwoman (excused)

GUEST LEGISLATORS PRESENT:

Senator James Settelmeyer, Senatorial District No. 17
Senator Aaron Ford, Clark County Senatorial District No. 11

Minutes ID: 1334



STAFF MEMBERS PRESENT:

Russell J. Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Gina Hall, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

Sumiko Maser, Deputy Executive Director, Executive Division,
Department of Taxation
Carolyn G. Goodman, Mayor, City of Las Vegas
Joshua Cohen, Producer, Cohencidence Productions, LLC and Owner,
Nevada Camera and Lens
James "JR" Reid, President, JR Lighting, Inc.
Christopher Baum, President and Chief Executive Officer, Reno-Sparks
Convention and Visitors Authority
Randy Soltero, representing the International Alliance of Theatrical Stage
Employees; Teamsters Local 631; and the Screen Actors Guild
Jeffrey Spilman, President, Production Administration, Bottom Line
Entertainment, LLC
Joseph Guild, representing the Motion Picture Association of America
Peter D. Krueger, representing the Northern Nevada Development
Authority
Brian McAnallen, representing the Las Vegas Metro Chamber of
Commerce
Gail Tuzzolo, representing the Nevada State AFL-CIO
David Goodheart, representing the Las Vegas Convention and Visitors
Authority
Wes Henderson, Executive Director, Nevada League of Cities and
Municipalities
Alex Ortiz, representing Clark County
Jeff Fontaine, Executive Director, Nevada Association of Counties
Lisa A. Gianoli, representing Washoe County
Carole Vilardo, President, Nevada Taxpayers Association
Bryan Wachter, representing the Retail Association of Nevada

Chairwoman Bustamante Adams:

[Roll was called.] I will now open the hearing on Senate Bill 330. I would like to call our colleague, Senator Settelmeyer, to the witness table.

Senate Bill 330: Allows a person who qualifies as both a veteran and the surviving spouse of a veteran to claim both veterans' exemptions from property taxes and governmental services taxes. (BDR 32-690)

Senator James Settelmeyer, Senatorial District No. 17:

Thank you for hearing this bill today. Sorry it got over here so late. As with all bills that have minor fiscal notes, they tend to take a while to move around.

This bill is actually a rewrite of an Assembly bill I had in 2009. The bill started with a letter from my constituent, Bill Silcox. When I read his letter, I was shocked to learn that under current Nevada law, we discriminate in many respects against veterans who are married to other veterans. This bill is about trying to remove that discrimination.

Currently, in Nevada law, under *Nevada Revised Statutes* (NRS) 361.090, if you are a veteran, you are allowed a reduction of \$2,000 off the assessed valuation for property tax purposes. Also, under NRS 361.091, many years ago we added the concept that if you were service disabled, depending upon your level of disability, starting at 60 percent disabled and going up to 100 percent disabled, you were allowed, instead of the \$2,000, a reduction of anywhere from \$6,250 up to \$20,000 of assessed valuation. Again, that is dependent on your percentage of disability and the year it was filed.

The veteran must also have been honorably separated from the service and must be a Nevada resident. Under that law, if you are a widow or widower of a disabled veteran who is eligible for this exemption at the time of his or her death, you may also be eligible to receive this exemption, a survivor benefit, unless you already have an exemption under NRS 361.090, as I just mentioned. That is where my constituent ran into this problem.

My constituent, Mr. Silcox, has a fascinating story, which usually takes about 20 to 30 minutes. He was unable to make it here today on such short notice, so it might speed your process along. It was a fascinating story to listen to in the Senate.

His wife was 100 percent service disabled. She actually got it in the jungles when she was involved in the Burma-India conflict. Mr. Silcox started out in the Army Air Corps, which predated the Army Air Force. Because of this, he was not allowed to qualify for his wife's exemption, and since hers was larger, upon her passing, he chose her exemption and is not receiving his \$2,000. So again, it is not a huge amount of money off the assessed valuation.

This bill is about trying to remedy that situation. I will gladly entertain any questions you may have. The fiscal note to the state, if I remember correctly, was somewhere in the neighborhood of \$4,000.

Chairwoman Bustamante Adams:

In your review, do you know what the estimation on the total number of people that this would affect?

Senator Settlemeyer:

The Department of Taxation, which I believe is here, has done an estimation. I forget the total number that it would affect but it is a limited number of individuals. It is really more of an issue of letting these individuals who have both had service to count both their services. I would ask the Department of Taxation to join me at the table.

Sumiko Maser, Deputy Executive Director, Executive Division, Department of Taxation:

In our estimates, we looked at the 2012 to 2013 total number of veterans living in Nevada, which was 228,000. Of those, 170,000 were wartime veterans. Of the total number of eligible wartime veterans we estimate 19,700 that claim the property tax exemption under NRS 361.090. The percent of exemptions claimed compared to eligible wartime veterans was approximately 14 percent. That is how we came to calculate our total impact of around \$2,300 per fiscal year.

Chairwoman Bustamante Adams:

Are there any other questions from the Committee members? [There were none.] I will ask for those in support of S.B. 330 to come forward. [There was no one.] Are there any in the neutral position? [There was no one.]. Are there any in opposition? [There was no one.] I will close the hearing on S.B. 330. Thank you, Senator Settlemeyer. I appreciate your effort, and I am sorry your constituent could not come testify today; I know his testimony from the Senate meeting is available on the Nevada Electronic Legislative Information System (NELIS).

I will open the hearing on Senate Bill 165 (2nd Reprint) and welcome Senator Ford.

Senate Bill 165 (2nd Reprint): Provides for transferable tax credits to attract film and other productions to Nevada. (BDR 32-781)

Senator Aaron Ford, Clark County Senatorial District No. 11:

Thank you for the opportunity to present Senate Bill 165 (2nd Reprint), otherwise known as the Nick Cage bill. By now, everyone understands what this bill is about. We have taken a few jabs here and there. People have laughed at us and, to be sure, I have laughed along with them, but to borrow a line from my neighborhood, I might kid, laugh, and joke, but I am going to play when it comes to what we are talking about right here, which is an opportunity for job creation. With the Chairwoman's indulgence, allow me to say a few words, and then I will be happy to entertain questions.

Since 2001, Nevada's film and television industry has declined 43 percent, from \$155 million to just \$89 million. Nevada has lost interstate competitiveness, out-of-state investment money, long-term jobs, and our best local talent. During that time, billions of dollars in investment have passed over us to the other 40 states that have tax incentives for the film industry.

At the end of a television (TV) show or movie, we usually change the channel, turn the TV off, leave the theatre, and do not usually watch the credits run. If we did, we would notice that every single name at the end of a movie or TV show has a position next to it that represents a position, which is a job, for a person that has taken place where the film or TV show was being shot. Generally speaking, that is not in Nevada. In fact, as I mentioned, we are losing opportunities to other states with tax incentives.

The most recent example of one such state capitalizing on their film tax incentive to our detriment is North Carolina where *Iron Man 3* was filmed. A recent study found that this film was responsible for \$179.8 million in spending and 2,043 jobs in that state. The production filmed in North Carolina between December 2011 and December 2012. The analysis found that the production was responsible for \$104.1 million in labor income across North Carolina, and spending that was associated with that film with over 719 different vendors and 84 different communities across the state.

What does that have to do with Nevada? Aside from the fact that we could have had those 2,043 jobs, our schools could have used their portion of \$179.8 million, and we could have 719 of our own vendors across 84 different communities in our state receiving the benefits I just mentioned, there is also the fact that their incentive is comparable to what S.B. 165 (R2) offers. North Carolina offered a \$20 million incentive of support through their tax incentive, just as S.B. 165 (R2) does. The investment by North Carolina

resulted in the following economic benefits, which are noteworthy, because again these are benefits we as Nevadans can have:

- \$8.99 in economic output for every dollar of tax credit received by the production.
- \$6.50 in gross state product for every dollar of tax received by the production.
- 102 full-time equivalent positions for every \$1 million in tax credit received by the production.
- \$5.20 in labor income for every dollar of tax credit received by the production.
- In addition, several other businesses hired directly by the production reported that the film had a significant affect during the filming period.

At the end of our presentation, those who will testify in opposition or neutral will argue that there is no opportunity for a trickle-down effect. Again, we are talking about 719 different vendors that took advantage. One of those vendors in North Carolina was Master Craftsmen Services, Inc., a furniture restoration company. They said that *Iron Man 3* represented 10 to 15 percent of the company's business during the year the film was being produced. Tidewater Storage Trailers also reported that in the first six months of 2012, roughly 10 percent of its business was generated by the production of *Iron Man 3*. You will hear testimony from myself and others that will indicate our desire to receive the same benefits.

Although hundreds of productions do shoot here annually, they are usually brief visits of two to four days from productions shooting in other states. Those productions do not create local jobs. They tend to bring their own labor and equipment further depriving Nevada of income and tax-base revenue. In order to attract productions to our state that create long-term good jobs, we need to compete on a level playing field. We need a film tax incentive here in Nevada. Senate Bill 165 (2nd Reprint) is, in fact, the jobs creation act that specifically targets productions we are not currently attracting, namely out-of-state movies and TV commercials that would spend between \$500,000 and \$40 million locally. The bill's primary goal is to create long-term careers for Nevada's current and future film industry workers that generate direct jobs and tax-base revenue through goods, labor, food, lodging, rental cars, gasoline, payroll taxes, property taxes, et cetera. Secondary and induced jobs also generate tax-base revenue through suppliers, their employees, the taxes they pay, and nonincentivized spending. Local restaurants, hotels, and other businesses also benefit.

Incentivized production would receive preapproval from the film office to spend all of the primary and secondary money here and then submit a certified public accountant (CPA) certified audit of in-state spending to justify the credit. That means we will have collected almost all of the beneficial tax-based revenue for the credit before it is even issued.

After much consultation with my colleagues, both in this house and in my own, as well as the Governor's Office and various interested parties, we have studied the effectiveness of programs in other states, and we have crafted Nevada's program to work specifically for us here. We have crafted a productive, sustainable, and fiscally responsible program. I would like to quickly discuss some of those compromises.

- We have reduced the program. The cap initially was \$50 million. We reduced that from \$50, to \$35, to now \$20 million as the annual cap. That is a good stepping-stone as Nevada develops its local crew and acting talent pool.
- We expect many Nevadans who have moved out of state will in fact come back, and the industry will attract those formerly employed in others industries, such as construction.
- The incentive has also been reduced from 23 percent at the outset to now 15 percent. We went from 23, down to 20, to now 15 percent.
- Bonuses can be earned for employing a majority of Nevada crew and for shooting outside an established production area.
- In keeping with the tourism focus of the bill, we expect to receive invaluable free onscreen advertising, both for the Strip and some of rural Nevada's best kept secrets. In fact, I believe you received an email earlier today from Ms. Vecchio from the Department of Tourism and Cultural Affairs, speaking in neutral, but telling you about the potential benefits of this bill.
- Finally, rather than an open-ended program, it has been restructured as a four-year pilot program. We will collect detailed statistics and evaluate the effectiveness of the bill on a regular basis, making certain that we adjust and evolve.

At this point, I would like to show a brief video testimony ([Exhibit C](#)), and then I can talk about specific elements of the bill. [Three-minute video on the Motion Picture Jobs Creation Act was played.]

Before I turn the microphone over, I want to give you a prime example. Right now, *Think Like A Man 2*, a movie by Steve Harvey, is being filmed for a very brief amount of time in Las Vegas. They are going to be there four or five days, maybe a couple of weeks at the most. They will then leave, going to a place

where an incentive is. Now a lot of people say we should not be chasing these companies around, but you heard it from the horse's mouth. They want to be here. They need, however, to justify that relative to being able to compare other places. They want to come here, and this incentive can offer that. This bill is bipartisan. When you look at the sponsors, you will see there are members of both parties on the list. It is bicameral; you will see members from both houses on this.

You will hear from testimony it is, for a lack of better terms, bi-industrial. You will hear that both chambers endorse this. You will hear that labor endorses this. What we would like to succeed in doing is receiving your endorsement as well.

Chairwoman Bustamante Adams:

Before we switch over to those in support, I want to go through the sections of the bill. I think it is important for this Committee to understand and to be able to ask questions.

Senator Ford:

The bill allows qualifying productions to receive from the Governor's Office of Economic Development (GOED) a certificate of transferable tax credits equal to up to 15 percent of eligible expenditures in Nevada, with an additional 2 percent of tax credits available if the production employs 51 percent or more Nevada residents or shoots at locations outside of a production center.

The maximum amount of transferrable tax credits available would be capped at \$20 million, which is down from the \$50 million initially suggested, with unused amounts rolling over into the immediately following two years. There is a \$6 million cap per production. The transferable tax credits would expire four years after the date in which they are issued, which is again a change from the initial bill as there was no expiration on the credits, but they now expire four years afterwards.

The transferrable tax credits may be applied to any, or a combination, of the following types of taxes:

- Taxes on financial institutions under *Nevada Revised Statutes* (NRS) Chapter 363A.
- Business taxes under *Nevada Revised Statutes* (NRS) Chapter 363B.
- Gaming license fees imposed by *Nevada Revised Statutes* (NRS) 463.370.
- Taxes imposed on insurance premiums under *Nevada Revised Statutes* (NRS) Chapter 680B.

Qualifying productions include preproduction, production, and postproduction of motion pictures, feature films, short films, TV shows, Web-serials, commercials, infomercials, music videos, documentaries, video games, and animation productions.

Certain projects that are not eligible for a certificate of transferrable tax credit include news shows, weather and current events programming, industrial or corporate productions, telethons, political advertisements, sporting events, gala or award shows, or other productions as described by regulation.

To qualify for a certificate of transferrable tax credit, the production has to have \$500,000 or more, which is up from \$100,000 in the initial bill, in qualified expenditures and production costs in Nevada, and at least 60 percent of the total qualified expenditures. The initial bill only talked about days. They only had to spend 60 percent of their time in Nevada. We have tried to strengthen this and these concerns by now making 60 percent of total qualified expenditures and production costs for the production be incurred here in Nevada.

Qualified expenditures are defined as including wages, benefits, and per diems paid to Nevada residents for work performed in Nevada (purchases, rentals and lease payments for personal property; goods and services, for goods and services used in Nevada, or purchased, rented, or leased from a Nevada company). Note all of the references to Nevada. The point is we want to try to incentivize them operating here in Nevada.

Qualified expenditures also include up to 17 percent of wages, salaries, and fringe benefits for above-the-line employees, and up to initially 17 percent of wages, salaries, and fringe benefits for below-the-line employees, and it decreases over time. Incidentally, Mr. Guindon will be discussing an amendment that was submitted. You know how it is at this time of the year; there were a couple of oversights. It does not change it too much, so we will address that in a little bit.

The amount of eligible employees' income is capped at \$750,000, as opposed to the \$1 million we initially had per employee, and there are limitations on the amount of producers' income which is eligible for the credit. These limitations similarly apply to any independent contractor or other person who is compensated for providing labor or services on the production.

The bill requires that at the completion of the qualified production, after all the money has been spent and we have already gotten those millions of dollars in our state, the producer must provide to the office an audit of the qualified

production. It has to be certified by an independent CPA in this state who is approved by GOED. That is, GOED is going to say we approve you to use this particular auditor. They need to pay for their audit and prove to us that they spent 60 percent of all their money here in Nevada before they get any form of credit. This is to again protect the fact that we are trying to incentivize them to operate here in Nevada.

The bill also will require GOED to prepare and submit an annual report to the Legislature. It is going to detail the number of applications submitted for transferrable tax credits, the number of applications approved, the amount of transferrable tax credits approved, the amount of transferable tax credits used, the amount of credits transferred, the amount of credits taken against each allowable fee or tax, and several other things.

Another portion of the bill that changed and was added during the negotiations of trying to get to the point is the bill incentivizes local counties to engage in competition, if you will, by allowing them to waive permits and licensing fees, and things of that sort. If White Pine County wanted to try to get the next *Iron Man 4* or *Fast and Furious 12*, they can offer their own form of incentive via waiving permitting fees and trying to pool their production there.

The bill would become effective upon passage and approval, to allow GOED, the Department of Taxation, and the Gaming Control Board to adopt regulations and perform other required tasks.

Madam Chairwoman, I apologize that I did not name the sections, but I have given you the overview of every section of the bill. I would be happy to entertain questions in that regard.

Chairwoman Bustamante Adams:

Are there any questions from the members of the Committee?

Assemblywoman Benitez-Thompson:

I had some questions in section 8. Can you talk to me a little more about why we would include exemptions of financial tax and gaming licensing fees, and in what context those taxes would be incurred? I am having trouble understanding how someone who comes here to shoot a movie would incur gaming license fees or qualify under the definitions of the NRS of what a financial institution is.

Senator Ford:

What this contemplates is the secondary market that is going to come about because of the incentive. The secondary market we are speaking of is the market which buys the credits and sells the credits.

Assemblywoman Benitez-Thompson:

Section 8, subsection 9, paragraph (a), says that regulations are going to be adopted prescribing the manner in which transferrable tax credits are administered. So the transfer from the movie industry could be transferred to anyone? Could they be transferred to gaming or transferred to banks? It is not just transferred from one person who comes in to shoot a production to another person who would shoot a production?

Senator Ford:

You are correct.

Assemblywoman Benitez-Thompson:

I have another question on section 8, the language that starts in subsection 3, beginning on line 29 of page 4. Just for the legislative record I wanted you to talk a little bit more about your intent of what "proof satisfactory" meant, so that we have a standard by which we know what "proof satisfactory" means.

Senator Ford:

Let me see if I understand your question. I am reading under here, "to be eligible for transferrable tax credits pursuant to this section, a producer must . . . Provide proof satisfactory to the Office that the qualified production is in the economic interest of the State."

Assemblywoman Benitez-Thompson:

What does that mean? Does that mean it is one person in the Office who makes that determination? Is it a committee that makes proof satisfactory? Is it a cost benefit analysis, so is there an actual paper process by which a staff person makes that decision, or is it completely up to a staff person in GOED to say yes or no to? I guess that is why I am bringing the question up, that process of proof satisfactory.

Senator Ford:

You are correct. We do not provide a definition of proof satisfactory, because what we have attempted to do here is to establish a regulatory authority within GOED to be able to determine in their regulations what would be proof satisfactory to the Office that the qualified production is in the economic interest of the state. We simply do not offer a definition of that.

Assemblywoman Benitez-Thompson:

Maybe what I could hear from GOED is that since this is a newer area for us to move into, or certainly much more expanded than we have now, is there staffing expertise for walking through, especially if we are looking at cost benefit analysis. We know that not every film that comes out ends up with a

great profit, so I just wanted to hear a little bit more about our expertise within the state to make those predeterminations for what is going to end up being a success or not, since we are going to ask them to adopt regulations as well. I guess the expertise is there for making those regulations. That would be my question. It sounds like that would be appropriate for GOED, the Department of Taxation, and the Gaming Commission, because it looks like they have to adopt regulations as well.

Chairwoman Bustamante Adams:

We are going to pause on our questions as we have Mayor Goodman in Las Vegas, and I am not sure how much time she has.

Carolyn G. Goodman, Mayor, City of Las Vegas:

Thank you, Madam Chairwoman, and members of the Committee. I am delighted to have gotten here. I have a contingent from China coming in shortly, and that is why I have been running back and forth to the office.

Senator Ford, thank you so much for all that you have done, and everyone who is moving forward and trying to move forward with this all-important bill.

In my time as mayor I have had innumerable visitors to the office, in either TV or the film business, who have asked why, in fact, we are not competitive, and why we have not been offering any credits whatsoever to entice the film industry here. As you all know from the previous testimony given, they are going to Canada and to other states because of the tax credits. Despite my efforts of assuring them that there is no income tax in the state of Nevada, there is no corporate tax, we have so many wonderful hotel rooms in which everyone could stay, it has seemed, for the past two years, to have fallen on deaf ears.

The reality is it is an industry that I know, with great confidence having spoken to so many, including the writers from *C.S.I.* over 18 months ago, who said they would love nothing more than to see the industry come into our state, first of all because of the diversity, the different climates, the different topography of our state, but obviously also the proximity to their home base, which is Hollywood, California. They have issues, financial issues, of their own. There is also personal income taxes, corporate taxes, and real estate taxes, which are forcing the film industry to look elsewhere.

It was wonderful the day that Nicholas Cage came into my office for the very same reason. He said to me, "Mayor, I have signed on just recently for four films. I have chosen to live in the state of Nevada. I love Nevada. My family is here. I desperately want to invite the producers, directors, and my actor

colleagues to do their filming here, whether it is through the actual film industry itself or whether it is the TV industry, all of that, and what can I do to help?" I told him life is often timing, and we are at a time that is so ripe, because we have convened our legislative body, so that prompted his visit. As you know, our staff from the city is so fully behind this, not only because of the jobs that will be created, but more specifically the hotel rooms that will be filled by people who will be spending money in our state.

As I came in late and only heard the end of the dialogue, it really is a very difficult thing to assess until the entire project is complete what the win-win is. Knowing how many of the actors that were named by Nicholas Cage, the producers, and the directors, I just feel absolutely confident that this would be a win-win for our state and a wonderful time to put your arms around an industry that we could be a second home to.

I was back in New York recently, talking to people in the fashion industry, because we are trying to do something in southern Nevada in that area as well. More specifically, this is something that we can bring, as gambling is going worldwide, is on the Internet, sports books are appearing all over the country, so we need to find something that we can grasp, that is going to give us jobs, add to our wonderful tourism, because people will come in from around the world to see a movie set, to see an actor, as happened in 1995 in the filming of *Casino*. In southern Nevada, there were so many jobs given to our people, because we have the stagehands, we have the technical crews, we have the creative crews that are here and ready to get behind this.

I just know this would be something that would be wonderful. This is something I know Senator Ford has been working on diligently with his committee and so many of you who are involved in this bill, trying to figure out what is the best formula. I love the idea that we are courageous enough to have this as a pilot program. I think anything big usually starts small, so I think that is very wise, but we need to do it, and the time is now. The diversification of the economy throughout our state, right now, is the right time. We have to be courageous enough to take a step forward and try, so a pilot program and the issues that have been addressed by Senator Ford in the bill speak to those efforts. I cannot encourage you more than to tell you wholeheartedly I believe in this, and having lived in southern Nevada now for 49 years, I think the time is really right. We have to be courageous. We have to be forward thinking. We have to take this opportunity to try it as a pilot for four years. I would have loved to be there with you to speak directly to you. My support for this bill is beyond wholehearted. I thank you for this great opportunity.

Chairwoman Bustamante Adams:

Are there any questions from the members of the Committee?

Assemblywoman Kirkpatrick:

I just want to make sure that the cities and the counties are on board with playing a role in this and helping alleviate some of the fees that these industries may utilize, whether it is traffic calming situations or it is business licenses, those types of things, because as it stands right now, the state takes the brunt of it. I just want to be sure that we are all on the same page.

Carolyn Goodman:

From everything that I understand, I think everybody in our city staffing body believes and sees the advantage of what this will do. I cannot believe that we would not, in some manner, be able to participate in it. I think every part of the state should. I see filming going on in Elko, in Carson City, in Reno, and further north. I just think this will be a tremendous benefit, and if we are all benefiting, we all have to help in some manner, whatever way that would be. I can assure you the advertising and publicity, the marketing worldwide, will do more bang for the dollar than anything that we have going right now.

Assemblyman Hardy:

Have you looked at other states that have implemented this same thing and the analysis that has come back of how the results have ended up?

Senator Ford:

We have indeed. One of the things I have said, since the very first time we mentioned this, was we have the benefit of looking at the 40-some states that have done this, in an effort to pick the best of the best, to avoid the pitfalls and all the other issues that are concerning. One of the exhibits you have on the Nevada Electronic Legislative Information System (NELIS) is an executive summary of the initial bill ([Exhibit D](#)). There is a map of the United States that shows you the other 40 states and the percentage that they use to induce films. For example, Alaska is 44 percent, Michigan is 42 percent, Virginia is 15 percent, Texas is 29 percent, and we are competitive because of our proximity. We do not have to go to 44 percent. We are at 15 percent. We began at 23, we are now at 15 percent. So yes, we have been able to see that.

One of the criticisms that we get with the bill is that all these other states that have this are tweaking their bills. Well, that is what you are supposed to do. You are supposed to tweak legislation to find the best fit. What we have here is an opportunity to begin, having looked at the other 40 states. We believe this is uniquely Nevadan. We can make it work and if not, then we will be able

to look at it in two years. As it is only a pilot program, in four years if it is not successful, then it is over; but if it is successful, then we can certainly tweak it, as we should do in all legislation that we do. That is a long answer, but the short answer is yes, we have looked at those things.

Carolyn Goodman:

One of the things that is really unique about this is we have so much to sell in Nevada, because of obviously the income tax, the corporate tax, and the state tax. There is so much that we have to offer.

From my perspective, it was getting our foot in the door so we could at least say to the directors and to the producers we offer tax credits. I do not even think the issue of the amount would be as positive a thought, as we talk about the numbers of hotel rooms that we have, how many beds we have specifically in southern Nevada, and all the advantages; the proximity to the airport, the ease of which you get from an airport to a hotel within ten-minutes time. It is not a two-hour drive. It is not moving equipment and people in and out. We have so much convention space. We have so much space that is ready. Our streets are ready for each street to become a movie set. We have Nellis and Creech Air Force Bases. If we can move that barrier a little bit, I see Tom Cruise right out there at Nellis Air Force Base.

I think there are so many additives. If, in fact, we can get to the point that we can say yes, we have a tax credit, and I know Senator Ford and his committee have worked so hard to make this a reasonable proposal at 15 percent, I would be delighted to say to any producer or director who came into my office, my goodness yes, we do have tax credits.

Senator Ford:

To be sure, there is no guarantee that this is going to work. No one has ever guaranteed that we are going to be able to be successful in what we venture to do. We are putting forth our best effort, after having had several meetings and conversations with colleagues on this side, the other side, and other interested parties, to come up with something that we think will work. Adding it as a pilot program came from one of the opponents who testified in opposition in the Senate. Okay, let us try that. Let us see what we can do to incentivize the film business to get here. If they do not come, we can move on to the next one; but if we are successful, then I guarantee the 2,000 folks who would have been employed by *Iron Man 3* filming here will be happy that we did this.

Assemblyman Hardy:

I appreciate that. I support where you are trying to go with this thing. I just have some concerns about what I am reading online. Looking at ten other

states, the highest that they have talked about is about \$.28 on the dollar that they feel like they have increased, and as low as \$.13 or \$.11. Cost to Louisiana, they said, was \$170 million in tax revenue. So we need to make sure of what we are looking at in this, and we need to ask those questions. If that is what we are looking at in revenues, I just wanted to know that.

Senator Ford:

Just as a matter of comparison, Louisiana offered 35 percent. We did not even begin at 35 percent. We began at 23 percent, and we are at 15 percent. Again, we have the benefit of looking at Louisiana and saying we will not do certain things that Louisiana has done. We also have the benefit of the most recent example, that anyone testifying today is going to be able to cite you, and that is *Iron Man 3*, which was last month in North Carolina, brought \$180 million to that state. Regarding Assemblywoman Benitez-Thompson's comment made earlier, there is no guarantee everything is going to be a big blockbuster like that, but the point is we have an opportunity here to continue to build a base of people who are talented, who want to work, who have been leaving our state because no work exists here. This is an opportunity for us to keep them here and to continue to grow a new industry. It is not just about new jobs. It is about the new industry.

Assemblywoman Neal:

I have three questions. The first one concerns section 7. I am looking at page 2, line 19, of the amended version ([Exhibit E](#)), interstitial advertisement. I looked it up and what I saw was a pop-up ad. Mechanically I was trying to figure out typically how much that costs, and what kind of credit would that fall into, because it seemed to fall into the same kind of odd niche as mobile applications. I really do not see those two things as a production.

Senator Ford:

Senator Kieckhefer had that exact same question about interstitial. I could not answer it then, but I can now, in my own words.

You have picked up on something that I think is important to note. In order to qualify for the maximum amount of \$6 million for the production, that production is going to have to spend \$40 million in our state to qualify for \$6 million as a tax credit. It has to be spent, verified, audited, and that amount must be spent in order to qualify for the maximum amount. Not every production is going to be \$40 million. I just offered that for comparative purposes so that you understood what we are talking about, so if an interstitial advertisement comes in here and does not spend a minimum of \$500,000, because that is the baseline. You have to get into the game by investing \$500,000 in our state, and you have to spend 60 percent of your money in the

state, on production, both preproduction and postproduction in the state, so this is not going to be what we already have. We are trying to reach out to the bigger productions.

With that said, I will have Mr. Cohen, who is a producer, speak to that particular issue.

Joshua Cohen, Producer, Cohencidence Productions, LLC and Owner, Nevada Camera and Lens:

Beyond commercials, interstitials can also be short content, short sketches, or sketch reports, that sort of thing. If you think about something like *Saturday Night Live*, they might tape a few segments beforehand and then splice them in. Those would be interstitials. It is doubtful that anyone would achieve \$500,000 in interstitials from one episode, but if a production were to come in and shoot several weeks' worth and then play them during a season of TV, that might reach the limit.

Assemblywoman Neal:

My second question comes from section 8, page 2, lines 33 through 36 of the amendment ([Exhibit E](#)). I was trying to understand how the first sentence works. You have the producer of a qualified production that is produced in the state in whole or in part on or before December 31, 2017, to apply for a certificate of eligibility. I was trying to figure out, mechanically, how that works. I am wondering what happens after 2017. Is there no ability to do a certificate for eligibility for the transfer of the tax?

Senator Ford:

That is exactly right.

Assemblywoman Neal:

So is this a production that could have occurred right now, then you have a four-year window to then apply for the credit after you finished the production? So if you started now, and it takes you two years, do you have from 2015 to 2017 to apply after the end of the production? I am trying to understand how that works.

Senator Ford:

I think I understand your question. The answer is you have to apply for the preapproval during the pilot period time frame.

Joshua Cohen:

The timeline right now is that a producer would apply about 90 days before he starts filming. The audited CPA report on all the in-state expenses has to be

filed with the state within 30 days of completion of those expenses. Along with that, it has to be an itemization on where those tax credits will be applied, toward which taxes, and then they have four years to either use or transfer those. That is my understanding.

Assemblywoman Neal:

My third question is in section 11, lines 37 through 44 of page 5 of the amendment ([Exhibit E](#)). I was confused about how the transferrable credit is calculated in relationship to the persons who are not Nevada residents.

Senator Ford:

This is what the amendment that was distributed addresses. If it is all right, I would like to ask Mr. Guindon to speak to that.

Russell J. Guindon, Principal Deputy Fiscal Analyst:

I apologize to Senator Ford that this is an amendment we should not have had to address here in the Assembly, but it got missed in the Senate when the bill was being amended.

As Senator Ford pointed out, the original percentage was 23 percent. In the first reprint, the 23 percent got amended down to 20 percent. The amounts in section 11 have been kept below the amount you can get for your sort of in-state expenditures. That is what is being addressed in section 9.

Section 9 is where you are allowed to count the wages paid for in-state expenditures to Nevada residents. So section 11 of the bill, as originally drafted, had in there wages for personnel who were not residents of Nevada. You would get some credit for expenditures, for payroll to nonresidents for these above and below the line, but those percentages would be less than what you got for your in-state expenditures.

Again, with my apologies, I missed it until reading it this morning to prepare for this hearing. I realized we accidentally had taken out the "who are not Nevada residents" in this section. Thus, what could have happened technically is a person could have come in and got the in-state in section 9, and then there is no exclusion here so they could have got them again. We accidentally took this language out when we went from the bill as introduced and the first reprint. We then missed it in the second reprint. We are also then adjusting the percentages down for these out-of-state personnel expenses to be consistent with the original intent as the bill was introduced, and so we lowered the 23, to 20, to then 15, as Senator Ford pointed out. That was just missed by staff as it went from first reprint to second reprint. That is why the second house is dealing with this amendment. Hopefully that addressed your question.

Assemblywoman Neal:

Are each of these treated separately, because we are calculating the base amount of the transferrable tax credit? So are each of these weighted, meaning wages and salaries are weighted at 5 and fringe benefits are weighted at 2? Is there a weight associated with them? I am trying to figure out how you calculate what hiring in-state is worth. Is there a weight? That is the simplest way I can say it.

Russell Guindon:

I will try to address that, as staff who have been working with Senator Ford on this bill, in terms of the mechanics of it.

The qualified expenditures are laid out in section 8, for those that you have to spend in-state, and 60 percent of the total production costs have to be in the state of Nevada. So you can get 15 percent of those qualified expenditures as a credit. Then section 11 allows these credits, as a percent against the payroll paid to these non-Nevada residents for above-the-line and below-the-line personnel, as an additional credit. There are no weights, in terms of they are weighted one-third. You take these percentages times the allowed expenses to get the amount of the credit.

It may have been mentioned here, but each production is maxed out at \$6 million, so that is the maximum that you can get. To get to \$6 million you have to have in-state expenditures of \$40 million. So your total production, if you divided that by .6, you would have to have \$40 million of qualified expenditures at the 15 percent to get to \$6 million, to max out the credits.

Assemblyman Kirner:

I do have a question for you, Senator Ford. This is not a new idea in Nevada. It has been either tried or maybe even enacted. I am not sure of the history here. I presume you have looked into this. My understanding of the history is it has not really been very successful. I would appreciate your comment on any research you might have done within our state.

Senator Ford:

To my knowledge, it has never been enacted here at all. You are right; it is not a new idea. Forty states have it. We have talked about it over several different sessions, but nothing has ever gotten to this stage in the process, so I think it is completely unfair to say that it has not been successful, because we have never tried it. This is our effort to try it, to see if success might inure to our benefit here.

Assemblyman Kirner:

So this bill really does not put us at an advantageous point. I think you have testified that it puts us at a competitive point.

Senator Ford:

Exactly.

Assemblyman Kirner:

In listening to Mayor Goodman, she certainly feels, even being at a competitive point, we would stand a good chance of getting business here, as opposed to going somewhere else. I know this bill started out at one level and has been reduced down. Are you still as confident as you once were, given that you have had to marginally move it down?

Senator Ford:

Thank you for the question, Assemblyman Kirner. A question I got from a reporter after I announced we had amended this to 15 percent was, is this still competitive? I said that 15 percent is less than 20 percent, but it is more than zero. We will see if it works. I am still cautiously optimistic that we will reap the benefits of an incentive program.

When Mr. Cage spoke to the last iteration of the bill and in conversation with the Governor, he told him point blank that if you pass an incentive, I will put in my contract that my next four films need to be shot here.

In the Senate Finance Committee, we had testimony from a production company in Las Vegas who said they knew of, and I do not want to misquote, but I think they said seven different productions that were ready to line up to come here. We will see. It could be puffing, who knows. The point is we are getting none of that right now, except for five days of *Think Like A Man 2* coming in and shooting on the Strip, and then leaving and going to wherever the incentive is. We could be getting months upon months of activity here, employing a base of individuals here who are getting new training, that give us crews, more than just one or two deep, but ten to twelve deep, and can hold and carry on productions well beyond what we are currently doing. That is the effort we are seeking here.

Carolyn Goodman:

Might I throw in a little point there? I would like to interject one thing that I have absolutely left out. Beyond the public relations and the worldwide marketing that filming would bring to our entire state and the residual spending of dollars by everyone who comes into the state, whether it is from tourists or part of the film and TV industry, is the educational benefit. I see a huge

advantage to the College of Southern Nevada, the University of Nevada, Las Vegas, and even to our high schools for possible internships.

We have such an energy, not only down here, but throughout the state. The excitement of having students see a window that they could have a part, or be in an internship, train in lighting, train in the technology. We are looking at the details of this bill, and I will reiterate absolutely that to get our foot in the door, just let us give it a try, because of the advantages. They are enormous out there for every child in the state going forward who can live at home and participate, rather than having to go to New York or California. From this might come a whole other specialty through the universities, throughout the state, to have satellite classes and courses, and a whole film industry. A magnificent, strong, internationally known program.

Senator Ford:

I would like Mr. Cohen to speak to this. I have mentioned *Iron Man* a couple of times, but we had to start somewhere. Mr. Cohen is going to give you some examples of what might happen by virtue of the 15 percent, beginning more immediately than an *Iron Man* formal production.

Joshua Cohen:

Assemblyman Kirner, to answer your question, we do have a lot of advantages here that have drawn productions over the years, and that is one of the reasons it has not been enacted. There is only one Strip. There is only one major city like this close to Los Angeles. So between locations, proximity, and our normally low tax structure, we are a very attractive place to shoot. As we mentioned, we have been getting little pieces of bigger productions. What this new bill will do, with the 15 percent limit, is attract commercials and low budget films, but not necessarily long-running TV series or big budget films. We really do not have the crew base to handle the big budget films, like *Iron Man*, right now, so we would like to keep the smaller films under \$40 million. As far as TV series go, they like to know that the program is going out indefinitely, and because they are going to be in a location for five or ten years, they will not look at a four-year program. So for now, we are really just concentrating on commercials and independent films, or nonstudio films.

Assemblywoman Benitez-Thompson:

I am trying to figure out why the transferrable part of this is so important. I think we can see for commercials and low-budget films, the way it is set up is everything has to pencil out. Expenses had to be incurred before the tax credit can be given, but why the transferrable part? Help me understand how that makes sense in the state where we barely balance our budget. There are parts

of our education system that we cannot fund, so why would we be loosening up and making more broad this kind of exemption?

Senator Ford:

That is a fair question, and one that we actually had to entertain on the other side as well. I will offer a few words and then ask Mr. Cohen to chime in. We also have the producer of one of Clint Eastwood's movies here, sitting in the audience, and he may want to come up and speak to why transferrable tax credits are part and parcel of the production industry.

It is part of what helps to monetize future productions. There is an entire secondary market that comes into play which, by the way, is a benefit to Las Vegas and Nevada as well. I am talking about new industry. The secondary market in itself would be a new industry with a different form of training required, but also professionals that would be employed in that form of arrangement. That is the quick and dirty aspect of it. Mr. Cohen may want to offer a little bit more insight into why the transferable aspect of this is important, and how our incentive, which is already less than many others, from my view, quite frankly becomes completely unattractive if we remove the transferability of the tax credits.

Joshua Cohen:

In most of the states we have studied, and I think we have studied 53 reports from 40 different states, there is a wide range of types of credits, ranging from straight rebates to transferrable credits to non-transferrable credits. As I understand it, we cannot do rebates here in Nevada, so the transferrable tax credit is the next best thing. The reason that is attractive to a Los Angeles producer is that someone coming in, spending \$10, \$20, or \$40 million dollars here, might not have a 15 percent tax liability owed to the State of Nevada. They might come in here and shoot for two or three months, and then they are out of here. If they cannot use that credit in future years, then it is worthless to them. They need to be able to transfer that or sell that to someone. Typically, in most states, it trades at around \$.85 on the dollar. A gaming company or someone who wanted to write off a business tax would be able to save 15 percent on that amount of their taxes.

Senator Ford:

And a reminder, this is after we have already benefited from the indirect jobs and indirect income that has been brought to the state.

Assemblywoman Benitez-Thompson:

If they spend the full \$40 million, it is the \$6 million credit that is transferrable. How does that play out with section 12 of the bill, where it is the rollover for

the next two years? Does that stand alone or is that compounded? Does that mean that in year three, with two years of rollover, that we could end up with an \$18 million transferrable credit, if it were \$6 million for each one of those years?

Joshua Cohen:

As I understand it, that rollover is for the annual program cap, so in the first year if we do not use all \$20 million in credits, the remainder will roll over into 2015 and 2016, the remainder unused. It is going to take us a few months to start attracting bigger budget productions here to get used to our program, so we will see a nice incline for the next several years.

Assemblywoman Kirkpatrick:

I was trying to debate whether or not I was going to say something. First, thank you for taking out the live entertainment. Thank you for trying to lower it from what it was previously, \$35 million, because that was tough for me to even consider, because at a time when we are trying to find revenue, we are investing in bringing people to our state.

What I would say, and it is just me saying it, so do not take it personally. I understand what North Carolina and all the others got, but they also have a whole different tax structure than we do, so it is painful for me to use those examples, because they have so much more than we have.

I have at least come to the realization, in my mind, that maybe this is truly just marketing money. This is what we are giving away. I do not think that we are going to generate a lot of revenue off of it. I do think we may get some jobs, which is important, but I do not think it is set up to triple the dollar value of what we spend.

People want to go back to work. People want to have the opportunity to feed their families. I think we have a fabulous liberal arts program in the state that we do not utilize, and I will tell you, Mr. Cohen, if you do not use those kids, I am going to come looking for you myself. We have a lot of talent here that needs to be utilized.

We are taking a risk by giving these dollars away when dollars are so fragile today. We have a lot of talented people, and you need to take notice of our state. We do have low income and taxes and all that stuff, but we still have to provide some services. So in my mind, it is a marketing expenditure for the next four years, and that is the only way that I can see that we talk about it. The Las Vegas name is worth about \$1 billion, and the Reno or Lake Tahoe

name is worth \$100 million, and any time we can get publicity for that, it helps draw people from around the world to our state.

What I do not see in the report, and I believe we could probably ask GOED for it at any time during the interim, I want to know if they are one-day productions, or if they are two-month productions, because that is something that all the other states ask for. We need to know if it is a 12-hour fix, or if it is a 30-day fix, and you can spend \$20 million in 12 hours in Nevada. I think we need to understand the industry as a whole, and I think at least for myself the proof is in the pudding.

In four years, whether I am here or not, I am going to say if it worked fabulously, then I am happy to come back and support it and encourage more of it, but if it did not, I am going to be the first person saying that we need to repeal it and take it off the table forever, because other states keep going back tweaking things, and I believe you get one chance on this.

For Assemblyman Kirner, I had the bill myself last session, trying to rein it in, to do just a little bit, because people say they are just looking for an excuse to come to our state. It is really hard, at the end, because I understand, as I met with the producers for years, they just want the money at the end to say what their bottom line is. That is why in 25 other states the transferrable tax credit is what they do. They like the money at the end. It is like a rebate to them, because they can say the bottom line is this is how much our film cost. We have talked about abating things up front, but they really like the bottom line.

I am glad we asked a lot of questions, but when and if this moves all the way forward, we have to have some real accountability. As soon as those regulations are done and ready to sign, the movie industry better be here.

If Mr. Cage is so adamant about bringing four shows here, as soon as this bill passes he ought to do a press release and say he is going to do it, because everybody can say something, but the proof is in the pudding. If we take a leap, this industry better take a larger leap.

I had to get this off my chest. Sorry, Senator Ford, but it just has to be said, because we have been playing this game for the last five or six sessions.

Senator Ford:

It does not bother me one bit, Assemblywoman Kirkpatrick, because I agree with you. The request has been made. We are looking to adopt an incentive that ostensibly is going to encourage them to come here. I also agree that it is apples and oranges, trying to compare Nevada to any other state, but that is

what has been done in opposition to this bill. Everyone wants to compare this to Louisiana, or some other state. We are the only state that has our tax forum. Other states have their own. In law we learn it as analogy and distinction, and so all we are trying to do here is demonstrate what other examples are out there, but also reiterate that this is a uniquely Nevadan bill. That is what this is and I appreciate the consideration for it.

Chairwoman Bustamante Adams:

That will be the end of our questions. I will transition to the support position. This is going to be a coordinated effort, so do not feel the need to repeat anything that has been said.

Joshua Cohen:

Thank you, Madam Chairwoman, Assemblywoman Kirkpatrick, and Assemblywoman Neal. I would also like to thank Assemblyman Aizley and especially Senator Ford for all the work they have done on this. As Assemblywoman Kirkpatrick said, a lot of effort has been put into this over the last 10 to 12 years, and the time is right. We really need to save our industry, and this is the way to do it. We are in support.

James "JR" Reid, President, JR Lighting, Inc.:

We are the largest film support company in the state of Nevada. We provide lighting and grip trucks to the film and TV industry.

First, I would like to thank Assemblyman Aizley, Assemblywoman Kirkpatrick, and Senator Ford for their tireless work on this. I understand we have a long way to go, but we are getting closer.

The last time I was before this Committee, two years ago, our business was down 30 percent. Our business has remained flat over the last couple of years, but something strange happened during this last week. *Heat* showed up. For this last week we have three new employees, we have had 15 percent more overtime because of *Heat*. They are shooting 5 days of their 40-day shoot in Las Vegas. The other 35 days are in Louisiana, because Louisiana gave them a tax credit. They wanted to shoot the entire movie in Las Vegas, but we did not have the credit.

Yesterday, there were 157 people on the crew of *Heat*, of which 102 were Nevada residents. Yesterday they used 500 pounds of ice and 1,500 water bottles. That is the kind of spending films do. We could have had eight weeks of 200 jobs a day on this production had we had an incentive.

My company would have greatly increased. We had the jobs and overtime. I spent \$10,000 just for this movie in new equipment that we needed. I see the number of jobs that it creates. I am one of many vendors who are doing things for the movies, and all the other vendors I have talked to have similar stories.

I personally have been trying to open up an office in Reno for 15 years, but there just is not enough business. I am hoping we get a film incentive. I have talked to three producers who want to shoot in Reno, because Reno looks more like old Las Vegas than Las Vegas does.

Christopher Baum, President and Chief Executive Officer, Reno-Sparks Convention and Visitors Authority:

I came to Nevada about a year and a half ago from Michigan, where for five years I worked for the film industry in that state once an incentive was implemented. My experience is firsthand, over five years, where we created a vision of our organization called Film Detroit and we went to Hollywood. We solicited and worked with the film industry on films such as *Gran Torino*, *Oz The Great and Powerful*, and *Real Steel*. I know firsthand what kind of an impact this has on the hospitality community. We did over 100,000 room-nights of film and TV crew business in the City of Detroit in 2010 alone, and Michigan is a lot farther away from Hollywood than where we are sitting today.

I also commissioned Ernst and Young, the internationally respected accounting firm, to take the state of Michigan's numbers two years in and see what kind of return on investment (ROI) was coming out of this investment [([Exhibit F](#)) and ([Exhibit G](#))]. What Ernst and Young determined was for every dollar spent in Michigan, \$6 of economic benefit accrued to the state. Interesting enough, the state of Louisiana, using a different firm at the same time, came up with the exact same 6-to-1 ROI, from their state's numbers being crunched by an accounting firm. They also found that over 1,039 full-time jobs were created in 2010 alone, at an average salary of \$64,000. We routinely celebrate small wins and new hires in this state at much lower wages than that, but over 1,000 jobs at a \$64,000 average annual salary being created within two years of the start of an incentive program, those are real numbers.

We have a large convention center in Reno and Tahoe that is underutilized right now. We are taking three of the sound stages there and making them available to the film industry as stages for productions, so there is an existing asset in Washoe County that can find a new life with film and TV productions. There are a lot more reasons to do it, not the least of which are our young people staying in Nevada rather than leaving our state when they graduate, because right now the creative community does not have enough of a footprint here.

The Reno-Sparks Convention and Visitors Authority, the City of Reno, the City of Sparks, The Chamber, and the Airport Authority are all strongly in favor of S.B. 165 (R2).

Randy Soltero, representing the International Alliance of Theatrical Stage Employees; Teamsters Local 631; and the Screen Actors Guild:

We are in full support of S.B. 165 (R2). We know there have been several sessions where we have tried to get something like this started and passed. We believe it has not been successful because of the way it was processed on our side, certainly not on the Legislature's. About six to eight months before this session started, we brought together folks from labor, from the business community, producers, and everyone who would be involved in this. We brought together people who would have these different types of cottage industry businesses that would benefit from this. We brought all these people together, and brought one voice to the Legislature to try and make this happen. We have asked Senator Ford to work with us on that, as well as Assemblywoman Kirkpatrick, so this has been a work in process for quite a long time. Assemblyman Kirner, one of your questions earlier was have we looked at different things? Yes we did, and this is how we arrived at where we are today. Without going into anything else that people have talked about before, I would just ask you to please consider this bill and consider its quick passage.

Jeffrey Spilman, President, Production Administration, Bottom Line Entertainment, LLC:

I am an episodic television and feature film producer. I have been scouting northern Nevada now for about six months. I am the producer Senator Ford referred to earlier. My company was the local production company in Michigan involved with the production of *Gran Torino*. I was involved with Michigan since the day the incentive passed, up through today. I have seen the way it can create jobs. I have seen how it changes lives.

In Michigan, they did an incentive of 42 percent at the beginning because they felt that was what they needed to get Hollywood to recognize that Michigan was a place that films could be shot. Nevada is totally different. In my six months here, I have seen the beautiful locations, I have seen the businesses open their doors and want to see filming, and I have seen a lot of folks here who have been to the University of Nevada, Reno, Truckee Meadows Community College, Sierra Nevada College, and other places. Students want to work here in Nevada.

The film industry in Michigan, as Mr. Baum mentioned, created many jobs, I believe 5,000 jobs were created in the first year and a half alone. The average wage was \$20 to \$50 per hour. Films came there. Folks who had been

unemployed from the auto industry bought cars, bought homes, and were able to send their kids to college. It absolutely changed lives, and I saw that firsthand.

I have brought a number of producers here to northern Nevada to look at what we have to offer. I have met with studio executives for Sony, Warner Brothers, Paramount, HBO, and others. I talked to them about the incentive, at the current level we are talking about here of 15 percent, and they are excited to come to Nevada, both southern Nevada and northern Nevada, to make the projects. They like the idea of being able to go home on weekends and spend time with their families. They like the idea of the varied shooting locations we have here, and they are all excited.

I am testifying in support of the incentive, because I have seen it happen firsthand, and I really appreciate your support for this bill.

Joseph Guild, representing the Motion Picture Association of America:

We are in wholehearted support of S.B. 165 (R2) and urge your passage of it.

Peter D. Krueger, representing the Northern Nevada Development Authority:

I am also in support, and I want to let Mayor Goodman know that the Old West is alive and well in rural Nevada.

Brian McAnallen, representing the Las Vegas Metro Chamber of Commerce:

We have some members that are studios, and they have made it clear to us that this incentive is extremely attractive, and it is an opportunity that they will take up. We appreciate the Committee looking at this and moving forward further than we have in the past. The optics of having a film tax incentive is extremely important to this state and we would encourage your passage and support.

Gail Tuzzolo, representing the Nevada State AFL-CIO:

We are 150 percent in support of this legislation. I compliment you on your cautiousness as a resident and taxpayer of the state. I definitely appreciate the questions that you have asked today. I think that we are on the right road with this, and we believe it will bring many jobs and economic development to Nevada.

David Goodheart, representing the Las Vegas Convention and Visitor's Authority:

The Las Vegas Convention and Visitor's Authority is in support of the bill and looks forward to the added jobs and added exposure for Nevada.

Wes Henderson, Executive Director, Nevada League of Cities and Municipalities:
We are in support of the bill.

Alex Ortiz, representing Clark County:

We are also in support of this measure. We worked closely with Senator Ford on this bill. It is also our understanding that Assemblywoman Kirkpatrick was able to get the permissive language that we needed in this bill to help us be in support.

Jeff Fontaine, Executive Director, Nevada Association of Counties:

We, too, support the concept of this bill. We appreciate being involved in the discussions, as well as the language that would enable the counties to participate in this program.

Lisa A. Gianoli, representing Washoe County:

I will echo what my associates beside me have said. We appreciate the work that Senator Ford did with us and the changes that were made that made us more comfortable with the bill.

Chairwoman Bustamante Adams:

We will transition to those in opposition.

Carole Vilardo, President, Nevada Taxpayers Association:

I truly appreciate the work the supporters of this bill and Senator Ford have put in. Obviously, as a pilot, it is a much better bill, but there are some things that I need to get on the record.

At a time where the state is looking for money, we have this bill, and we have an insurance credit bill. You are potentially giving money away when you are looking for money to support education.

I support trying to get the film industry here. Prior to 2003, we did have film incentives. We had the film incentive that was for the modified business tax and, as memory serves, was also on the local portion of the sales tax. I cannot remember, and I will have to go back to my office and check. I think we did room tax also.

I am sorry it is so late in the session that you are just getting this bill. By the count I have on a 50-state rundown, 44 states provide film incentives. I am happy to submit my information on this, so you can see the detail. It is quite an extensive report. In addition to the 44 states, there were 15 states as of 2011, and I am assuming North Carolina is since 2011, because they appear in the 2012 report I have on something else. Of the 15 states that provided taxable

credits, you have Iowa, which has suspended the credits; Louisiana, which is currently in legislative session and as part of a budget deal has got them down for elimination. Their governor is very unhappy about that. I do not know where it is going to go. They are in session until June 6. You have Arizona, which was mentioned. It is not a film credit state, it is an incentive state, and while they did not give rebates, they gave abatements. North Carolina, from which it appears most of the language identifying what would be in the bill is taken from, the productions that we would use does not give credits, it gives a refund back. What has happened with the credits, and why they are so lucrative at this point, is because there is now actually trading. There is, just like you have your mercantile exchange, you now have a film tax credit exchange. I have the information and am happy to send any of this to the Committee. It is not that I oppose getting the film industry here and putting people to work. I just think that for Nevada, because we are so different, that we could have gone back.

For the record, in 2003, when Senate Bill No. 8 of the 20th Special Session was being passed, where we made so many major changes, I had asked why we were not continuing the film credits that we used to have, and at that time it was a legislative policy decision. Again, I cannot tell you that it may have been the most well thought-out position, because, remember, we were in the second special session, and I think S.B. No. 8 of the 20th Special Session came out two and a half days before we adjourned.

Chairwoman Bustamante Adams:

Are there any questions from the members of the Committee?

Assemblyman Kirner:

Ms. Vilardo, obviously I do not have your experience, but I was remembering that we tried to do something. You made reference to the fact that we did have something in place. For my benefit, could you make sure that you send me a note that tells me what our experience was.

Carole Vilardo:

Absolutely. I will send you the language.

Bryan Wachter, representing the Retail Association of Nevada:

Out of an abundance of caution, we are in opposition with the new rules. I wanted to point out a couple of things. We are very glad to hear the Mayor talk about being able to ease some of the regulatory and licensing burdens some companies face in Las Vegas, and I know in Clark County, and we would hope that eventually the discussion happens that we offer the same amount of

incentives to small businesses that are located in there, who often find trouble getting business licenses and dealing with the different entities.

I wanted to share with you a recent report from the National Council of State Legislators, who did an exposé on state incentives to these programs. They cited two think tanks. It is interesting, one on the far left from the Center on Budget and Policy Priorities, and the other on the far right from the Tax Foundation. I just want to quote from those studies. "The state film subsidies are wasteful, ineffective, and unfair instruments of economic development," and this is according to the Center on Budget and Policy Priorities. "Jobs for in-state residents tend to be spotty, part-time." The revenue that films generate falls far short of the cost of tax breaks and subsidies that states do allow. Currently the report goes on to say that the median state incentives were \$.25 for every dollar of production expenses, a considerably higher amount than the standard tax credits in many states. The Tax Foundation economist, William Luther, reached a similar conclusion in his report. "Based on fanciful estimates of economic activity and tax revenue, states are investing in movie production projects with small returns and taking unnecessary risks with taxpayer dollars."

The consequences of the ongoing wrangle have been costly, according to the Centers on Budget and Policy Priorities. Since 2011, Michigan's production activity has fallen off sharply. Among the big budget projects the Michigan Film Office was close to landing, but failed to sign, was the *Avengers*. The producers left Michigan and went to Ohio. The much-touted *Iron Man 3* was supposed to be done in Michigan, but North Carolina's incentive package seemed too nice for them to turn down, so they ended up moving from Michigan to North Carolina.

Economists at the Center for Budget and Policy Priorities stated that states are trapped and, thanks to the extreme mobility of film production, when one state goes after these movies, another state, if it wants to stay in the game, has to match the deal they are offering. So what we have found are states that are trying to outdo themselves in order to move those incentives, so oftentimes you set a policy that you think will be able to bring in some of these big budget movies, which we heard testimony that Nevada is not prepared at this time to receive, just to get outdone by another state where they move to.

Another issue of concern is the impact this could have on the local school support tax (LSST). We understand that \$40 million has to be invested before you get the tax credit. We have other measures currently making their way through the Legislature, and one that you just received this morning on the floor, and I imagine will be heard in your Committee, is Senate Bill 406, where

we removed the exemption for the LSST in State Tax Anticipation Reserve (STAR) bonds, because we felt that we needed to be able to minimize those burdens to schools.

This is a \$60 million commitment by the state to move into these economic developments. Ms. Vilardo referred to an insurance tax credit of \$250 million over the next seven years that we may be providing to insurance companies to invest in small businesses. That is a large chunk of change, and we will not reiterate how much money or where that money could go, or what it could buy, in terms of maybe full-day kindergarten or some of the other projects that have been identified by this Legislature as needed. We just hope that you take into account all these abatements, credits, and exemptions in context, instead of one by one.

Chairwoman Bustamante Adams:

Are there any others in opposition? [There were none.] Are there any in neutral? [There were none.] Senator Ford, if you could follow up with Mr. Hill so that we could get Assemblywoman Benitez-Thompson's question answered about the current expertise within the film division under GOED, that would be helpful. Senator Ford, do you have any closing remarks before we end the hearing?

Senator Ford:

I have a couple of parting remarks. I want to reiterate, this is a Nevada bill. We did not base this on North Carolina. We did not base this on some other state. We worked with stakeholders in Nevada to develop a bill that addresses Nevada's specific issues.

I also want to reiterate that there is nothing wrong with revisiting statutes. There is nothing wrong with tweaking. What we have here is a pilot program and, if it does not work, I am with Assemblywoman Kirkpatrick; we will get rid of it. If it does work, then guess what, every concern that the Retail Association just mentioned about LSST and everything else will be a non-issue. Why? Because we will have more revenue in our state that is funding our schools. We will have more people employed. We will have a new industry that is less vulnerable than some of the other ones we have seen in the past, and that is what we are looking for. We are running from competition if we decide that looking at other states, we have to compete. I do not see a problem with saying you should come to us instead of flying across us to go to North Carolina. It seems to me that we should say, We are Nevada, and I have no issue with doing that.

Regarding the National Council of State Legislators study that was mentioned, I think it is always dangerous when you group everything into one category. You need to take a look at this legislation separate and apart from other legislation. Assemblywoman Kirkpatrick herself indicated that North Carolina is different from us. So is New Jersey, and so are these other places that have incentives. So ultimately, taking a look at the provisions of this bill to see if it is uniquely crafted to address concerns and issues, I think, is the appropriate approach.

I will follow up with GOED to see if I can get answers to Assemblywoman Benitez-Thompson's question. Again, I thank you for your indulgence.

Chairwoman Bustamante Adams:

[([Exhibit H](#)), ([Exhibit I](#)), and ([Exhibit J](#))] were presented but not discussed and are included as exhibits for the meeting.] I will close the hearing on S.B. 165 (R2). Are there any individuals who want to offer public comment either here in Carson City or in Las Vegas? [There was no one.] The meeting is adjourned [at 3:53 p.m.].

RESPECTFULLY SUBMITTED:

Gina Hall
Committee Secretary

APPROVED BY:

Assemblywoman Irene Bustamante Adams
Chairwoman

DATE: _____

EXHIBITS

Committee Name: Committee on Taxation

Date: May 30, 2013

Time of Meeting: 2:12 p.m.

| Bill | Exhibit | Witness / Agency | Description |
|---------------|----------------|---|---|
| | A | | Agenda |
| | B | | Attendance Roster |
| S.B. 165 (R2) | C | Senator Aaron Ford | The Motion Picture Jobs Creation Act Video |
| S.B. 165 (R2) | D | Senator Aaron Ford | The Motion Picture Jobs Creation Act Executive Summary |
| S.B. 165 (R2) | E | Senator Aaron Ford | Proposed Amendment 9376 to Senate Bill No. 165, Second Reprint |
| S.B. 165 (R2) | F | Christopher Baum | Evaluating the effectiveness of state film tax credit programs, issues that need to be considered |
| S.B. 165 (R2) | G | Christopher Baum | Economic and fiscal impacts of the Michigan film tax credit |
| S.B. 165 (R2) | H | Association of Film Commissioners International | Tracking Production Revenues: Direct Spending For On-Location Production (US Dollars) |
| S.B. 165 (R2) | I | Joshua Cohen and JR Reid | Nevada Film Incentive Comparative Study |
| S.B. 165 (R2) | J | Nevada Film Office | Annual Production Revenue |