

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

**Seventy-Seventh Session  
March 7, 2013**

The Committee on Taxation was called to order by Chairwoman Irene Bustamante Adams at 1:32 p.m. on Thursday, March 7, 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](http://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](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**COMMITTEE MEMBERS PRESENT:**

Assemblywoman Irene Bustamante Adams, Chairwoman  
Assemblywoman Peggy Pierce, Vice Chairwoman  
Assemblywoman Teresa Benitez-Thompson  
Assemblyman Jason Frierson  
Assemblyman Tom Grady  
Assemblyman Crescent 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:**

None

**GUEST LEGISLATORS PRESENT:**

None



**STAFF MEMBERS PRESENT:**

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

**OTHERS PRESENT:**

Steve Hill, Executive Director, Office of Economic Development, Office of the Governor  
Jeff Fontaine, Executive Director, Nevada Association of Counties  
Wes Henderson, Executive Director, Nevada League of Cities and Municipalities  
Jack Mallory, representing the Southern Nevada Building and Construction Trades Council

**Chairwoman Bustamante Adams:**

Good afternoon everyone. We have two bills today, Assembly Bill 61 and Assembly Bill 38. We will hear A.B. 61 first.

I would like to open the hearing on A.B. 61 and welcome our presenter Mr. Steve Hill from the Governor's Office on Economic Development (GOED).

**Assembly Bill 61: Makes various changes relating to economic development. (BDR 18-291)**

**Steve Hill, Executive Director, Office of Economic Development, Office of the Governor:**

Thank you for the opportunity to be here today and for allowing me to take these bills out of order. The reason for that, as I think you know, *Nevada Revised Statutes* (NRS) Chapter 231 is the statute that governs the economic development process. The changes that we are recommending to NRS Chapter 231 are contained in Assembly Bill 61. *Nevada Revised Statutes* Chapter 360 is the statute that governs the abatement process, which is affected by the changes in Assembly Bill 38 that we are recommending. We think it makes more sense to talk about the structure of the organization and how economic development is governed first, then talk about the abatement process.

There are three documents that we have before us on A.B. 61. The first obviously is the bill. There is also a one-page memo (Exhibit C) from GOED recommending amendments to this piece of legislation. I have put together a

PowerPoint presentation ([Exhibit D](#)) that will hopefully help us walk through each of the sections of the bill, and it combines the language in the bill with the amendments we are recommending to the bill.

*Nevada Revised Statutes* Chapter 231, as I said, governs the economic development process. It is a fairly lengthy statute. It also includes the Catalyst Fund and the Knowledge Fund language. So, it is a pretty comprehensive bill, and is the legislation that came from your efforts during the 2011 Legislative Session and Assembly Bill No. 449 of the 76th Session. There were many changes made to economic development during the last session, and the last two years have given us the opportunity to implement that statute, to test it in the field, find out what may need clarification, and, in our opinion, what may need a little improvement and maybe some change.

I will now walk through the PowerPoint presentation ([Exhibit D](#)) and answer any questions you may have along the way.

The way the current statute is written it is relatively unclear, at least on its face, what body or person has responsibility for approving abatements. Once the statute was implemented, we spent a good deal of time with the Office of the Attorney General. They did a good deal of work to make a recommendation on the direction of the statute and how it should be implemented. The recommendation that came from the Attorney General creates what we think is not great public policy. It makes for a relatively difficult process to go through for companies we are looking to attract.

The way the interpretation of the statute came down, I am personally responsible for approving all abatements in the state. The recommended process was that we hold a hearing prior to a board meeting. During that hearing we would receive all of the information that the company wishes to provide in order to qualify for abatements. Keep in mind this is a process where we have been working with the company all along, so while the hearing is a formal process for them to present us with this information, frankly we already have it. At the end of that hearing, we recess the hearing and go to the Board of Economic Development meeting and present this information. I receive the advice and recommendation of our Board on whether or not to approve an abatement. Upon adjournment of the Board, I reopen the hearing and make the decision that the law requires me to make. Our proposal in A.B. 61 is to change this process in a couple of ways.

In section 1 [([Exhibit D](#)), page 2] we are recommending that abatements of \$250,000 or more be the responsibility of our Board. I would like to point out that the \$250,000 includes any abatements that have been provided to that

company in the prior two years, and it is the total of the anticipated abatements over the course of ten years. This is a very low threshold. This is a recommendation that has been endorsed by our Board. We think it is better public policy if our Board and a group of people are responsible for approving the abatements.

In a different bill, not in this bill, there has been some discussion about counties across the state being the first step in the approval process. We have several concerns with this. I have had some concern expressed on the part of cities that would not necessarily like to see the county they are in be responsible for abatements that might apply to the individual cities. Our real concern would be adding another step to the process. Our process, particularly when it includes the Catalyst Fund, is a multistep process that can be time-consuming and somewhat frustrating for companies that are considering Nevada as well as other states. So, while we are certainly open to potentially expanding the input from local governments, we would be concerned about adding additional layers to that process.

In section 2 [([Exhibit D](#)), page 3] we address the two locations in NRS Chapter 231 where a regional development authority is defined. We made a recommendation in section 2, and in conversations with the Chairwoman and Committee staff, and after reading the bill once the recommendation was made, we felt our recommendation went too far. We are proposing the amendment on page 3 of the PowerPoint replace the changes that are currently in A.B. 61. The original intent was to remove the confusion that had arisen as a result of this new language in NRS Chapter 231. It was difficult for someone to tell if a nonprofit entity had to partner with a local government or if a nonprofit entity, in and of itself could be a regional development authority. We think the proposed amendment makes it more clear for all involved.

In section 3 [([Exhibit D](#)), page 4] there are a couple of recommendations and clarifications regarding the composition of our board of directors. Currently the director of the Department of Employment, Training and Rehabilitation (DETR) has the option of serving on the Board or appointing someone to serve. That is the director's option by statute. We recommend that the director of DETR serve on our board. Frank Woodbeck, who is the current director of DETR, agrees with that recommendation, so we would like to make that change.

There has been discussion involving the Attorney General's Office regarding the elected officials on our Board—the Governor, Lieutenant Governor, and Secretary of State— all of whom have the authority to appoint a designee to serve in their place on the Board. There has been a question as to whether that designee can serve on a meeting-by-meeting basis, moving in and out of the

Board, or whether that designation was intended to be for the full term of office. Our recommendation is that the designee serves for the entire term. Given the complexity at times of the issues, consistency of participation in this process is the reason that recommendation was made.

As a result of that, in conversation with your staff and the Chairwoman, we realized that a couple of these amendments we had proposed needed to be included in the bill. If the Governor designates someone besides himself or herself to serve as a member of the Board, it needs to be made clear that that person will also be the chair of the Board.

In conversation, we proposed language that would make some changes, and now we think probably it should just be eliminated. Your staff has pointed out that this may cause us more harm than good. On page 4 of the bill, lines 32 through 37, we are recommending that the changes that are in this bill be removed and we revert back to the original language.

**Chairwoman Bustamante Adams:**

We are going to pause here for questions on sections 1 through 3. Are there any questions from the members of the Committee?

**Assemblywoman Kirkpatrick:**

I want to clarify what the original intent of section 2 was, and I want to make sure we check with Legal, because it was kind of a sticky wicket as to how the dollars could be disbursed. My understanding was it had to go through local government in order to be fanned out, so there was a reason the nonprofits had to partner. We probably need to check and make sure that it is constitutional if we change that. That was a contentious discussion for a long time throughout the whole process of the session.

I just want to make sure we are clear because we do not want to get in trouble. We want local government, or whoever it is, to be able to use the money, instead of having to hold the money up; that was a big issue.

Did I hear you say you talked with the Attorney General? There were four different opinions last session and none of them agreed on anything. For legislators to make legislative policy, whoever defends us, we have to go with what they say.

**Steve Hill:**

My understanding, and I could be incorrect about this, is that the concern regarding the constitutionality of the funding was contained only in the Catalyst Fund portion of the statute, and that subcontracting with a nonprofit

entity, such as the Economic Development Authority of Western Nevada or what is now the Las Vegas Global Economic Alliance, is permissible.

We have addressed also the definitional issues in the Catalyst Fund section of the bill, which is on a slide that is below this one. If my understanding is incorrect, then obviously we will have to change that.

**Assemblywoman Kirkpatrick:**

There was that issue, and another that we probably were not doing it the right way to begin with. Before, it went directly from the state to the regional development boards, so that was an issue in itself. I want to be able to work with Legal, to make sure. There was a lot of case law that was looked at, and the Catalyst Fund also had a separate issue. I think we just want it to be clear, so we do not keep doing this.

I do have a bit of an issue that the boys club fought hard for all these seats on the Board and now they want to give them away to a designee. Are you kidding me? Here is what I will say from the girls club: Really? Make up your mind because there is no going back. If that is the case then the language probably should say the Governor shall appoint, the secretary shall appoint, or they can sit, because as election cycles come and go we have to have some clear role. It was important to a lot of folks last time. I get that it is not as sexy this session, however, policy-wise and language-wise, we need to do something different. Either they want to be on it or they do not, and if that is the case, let us just do it the way we do all other policy matters and allow them to appoint someone from the get-go.

**Steve Hill:**

I would be proud to be part of both groups.

**Assemblyman Grady:**

Mr. Hill, I guess you know how I feel about the abatements and excluding local governments. You are taking their tax yet you do not want them to have a say in it. I could not support anything when you are taking the local government tax and you do not want them to have a say in it. Fundamentally, I do not think that is fair for any municipality of any size. They should have a voice if you are going to take their tax.

**Steve Hill:**

I may have miscommunicated. What I am mostly concerned about is adding an additional step to the process for any board or entity that ultimately approves the abatements that affect them and affect others. That could be at a local level. That could be at a state level. Obviously the school districts are involved

at that point. That is a both a local level, and, as you know, the way the Distributive School Account works, the state is basically the backstop there. There are many interests involved in the abatement approval process, not just a single local entity.

We do welcome the input of local governments. If there is a better method for involving local governments we would not just be open to it, we would encourage that. We would not recommend an additional step in the process of trying to recruit companies to Nevada, or encouraging them to expand in Nevada, be inserted into the process. Rather we would like to see that input happen as part of a cohesive process.

**Assemblyman Grady:**

If you contact local government and they do not agree with you, you can go ahead and give the abatement. Those are their taxes you are taking away, not the state's.

**Assemblywoman Pierce:**

The idea of turning over decisions that have to do with tax dollars to a private nonprofit entity strikes me as the height of irresponsibility.

**Steve Hill:**

Our recommendation is to elevate the decision to our Board, not to turn it over to a nonprofit entity. This definition just refers to our appointment and subsequent subcontracting with the regional development authority. These are not related to our recommendation for the abatement approval process.

**Chairwoman Bustamante Adams:**

On page 4, line 4 of the bill, regarding DETR, from what I understand, I believe there is an interest to involve DETR because of workforce development and its importance in economic development. Though DETR only retains 5 percent of the money we get from the U.S. Department of Labor, the majority of the other dollars goes to local boards. I want to know what the connection is for DETR to be at the table? I would prefer to have the executive directors of the regional boards, the one from the north and the one from the south, who are actually the hands-on people of workforce development in the regions, as ex officio members instead of DETR. Could you just verify what the role of DETR would be?

**Steve Hill:**

Would you like me to answer that in the future or attempt to answer that now?

**Chairwoman Bustamante Adams:**

Both.

**Steve Hill:**

Certainly the inclusion of DETR on our Board is because of the partnership that we have with them in the workforce development effort. They do work through the regional workforce investment boards. I think that process has become more cohesive over the past four to six months. I do not know what the conversation in the past has been with respect to inclusion of the regional board chairs on our Board, or if that has been a topic of conversation. Frank Woodbeck, the director of DETR, probably has that information and I can certainly find out.

**Assemblyman Hickey:**

As someone who genuinely appreciates the mission that you have with economic development and knows firsthand we are doing some important things and seeing some progress, I do not think Assemblyman Grady got an answer to his question. Under this bill may not be the area to deal with it. I would like to hear a little more from you about the concerns of giving these abatements out. I understand these are an important tool in economic development. Do you think there is a way to genuinely address the concerns of local communities that have the kinds of reservations and problems with some of these arrangements that Assemblyman Grady expressed to you?

**Steve Hill:**

The way the law is written right now, Assemblyman Grady is correct. Even if local governments, or an organization affected by the tax abatements, objected, and if the language is changed and our Board decides to ignore that objection, they have the legal right to do so.

I have not yet experienced a local government voicing any objection to any abatement that we proposed or made. My first recommendation would be that if they have concerns they express them. Our process at this point is that we have to provide 30 days advance notice to all affected local entities regarding any abatements that may be granted. One of the requests that we are making in this bill is to shorten that time frame to 14 days, because 30 days is a difficult time frame for companies. I will explain that later. I think 14 days is enough time for a local government to consider whether they approve or disapprove, or decide this is good policy, and respond. At this point, the responses we have gotten have been neutral or positive. We have yet to hear any objection to any abatement we have provided. We would welcome that kind of conversation if in fact that exists. I know much of the concern expressed at the hearing of Assembly Bill 32 was not around the abatements



that our office provides, but around energy abatements. Frankly, in most rural counties, there have not been very many abatements approved through our office.

**Assemblywoman Kirkpatrick:**

I have been trying to figure out how to legislate this for two years. You cannot legislate that local governments even have to talk to each other, let alone work through some of these boards. On every regional development board a local government from each entity within that area sits on that board, is that correct?

**Steve Hill:**

I believe that is correct.

**Assemblywoman Kirkpatrick:**

Some elected officials will call and express concern over what the board did. They have a representative there who should have come back and informed them. I have not figured out a way to legislate that. They sit there and they are part of the discussion. I hear about abatements on both sides, but there are just some things we cannot legislate.

I am concerned a little bit about the time frame. With the Open Meeting Law making 14 days would be tough. At the same time, they are typically in the know about some of these things as they are going on, because they are supposed to be working regionally on what industries they want. What is the vision? What is the plan? They supposedly spent the last two years doing that. They should have a pretty good road map of what they created. I get both sides and I do not know what the answer is, except legislating that everybody has to give a report to each other, to the city council, and to the county commission, so that they are talking to each other. There is always a whole bunch of people in a room talking, they just do not share.

**Steve Hill:**

That is an excellent point and I appreciate your bringing it up. It is a point I should have made. The regional development authorities are evolving. We have gone through quite a change over the last 18 to 19 months. I think this is part of the answer to Assemblyman Grady and Assemblyman Hickey, that the regional development authorities can play a significant role in understanding what the desires are of the community. In many rural counties the county itself is the regional development authority. That is who we have contracted with. They have the option to do that.

**Chairwoman Bustamante Adams:**

We will now hear sections 4 through 6.

**Steve Hill:**

Section 4 [([Exhibit D](#)), page 5] is simply designed to align the right that already exists for me to remove the designation as a regional development authority with the right to actually void the contract. As you may recall we changed the way this process works with the regional development authorities. We issue a request for proposal. We enter into contracts after the competitive process with the regional development authorities that I designate. We then compensate them for performing economic development functions. The way that those are written is just intended to clarify that if a designation is removed from a regional development authority, for whatever reason, in the middle of a contract period, that contract may also be voided.

In section 5, page 6, line 29 of the bill, the word abatements was deleted. That was apparently just my miscommunication in writing up requests for the bill. That should not have happened. We would like the word abatements to be restored to the language.

Section 6, page 6, lines 41 through 45 of the bill, we recommend that we eliminate a requirement for the office to develop a plan for inland ports. That requirement exists. We performed a study during the interim to look at how we would put together a plan for inland ports, which is a term of art [with a very specific meaning]. What we have found is that while we have a number of logistics opportunities in the state, we have limited potential for what is truly an inland port. We have recommended [([Exhibit D](#), page 7)] that we retain the language in the statute for this office to encourage and assist inland ports in the future. We find it difficult to meet the requirement to have a plan for inland ports when, in our consultant's view and in our view, that opportunity does not exist in full in Nevada.

**Chairwoman Bustamante Adams:**

Are there any questions from the members of the Committee on sections 4 through 6?

I do have one question because I remember from last session, Mr. Hill, that inland ports were part of what Assemblywoman Kirkpatrick and Senator Atkinson were working on. Have you discussed this portion about inland ports?

**Steve Hill:**

I have discussed that portion with Assemblywoman Kirkpatrick, yes.

**Assemblywoman Neal:**

In section 6, page 6, lines 43 through 45 on the bill, since you deleted the long-term comprehensive general plan, who is going to be doing the comprehensive general plan for the inland port?

**Steve Hill:**

In our view, Nevada does not have an opportunity to have a true inland port. That would combine connections to a seagoing port, rail facilities, airport, and trucking. We have an opportunity for pieces of all of those in different locations throughout the state. The real disconnect is in relationship to the ports. We are very close to Oakland and Los Angeles, which typically would be considered an advantage. Because we are so close we are not competitive by rail. Rail usually takes 400 to 500 miles or more to be competitive versus trucking, and to connect easily with a port would require that. In addition to that, the reason that the connection to a port would be important is because the port is full. There are large projects underway in both Oakland and Long Beach to expand their port facilities. Our connections to those are not strategically advantageous to Nevada in a way that would allow an inland port to be built. We certainly have logistics opportunities that are great, and we do have plans for how to capitalize on those logistics opportunities, but we are just attempting to take this term of art from the law while encouraging the logistics opportunity the state has.

**Assemblywoman Neal:**

My question goes to page 8, lines 30 through 33 of the bill, which refer to an applicant requesting a grant or loan. How it reads is if it is \$100,000 or less, executive directors shall review, and then if it is more than \$100,000, the Board may approve. I just want a clarification, because the word may is permissive when it comes to a \$100,000 or more, since it is permissive language, the Board may not be a part of that discussion if it is over \$100,000?

**Chairwoman Bustamante Adams:**

That question pertains to sections 7 through 9.

**Steve Hill:**

I can answer Assemblywoman Neal's question. The way I read the language that you called out on page 8, lines 30 through 33 (section 7, subsection 3) this addresses the Board's responsibility to review Catalyst Fund applications of over \$100,000. The way I read that language is the Board may approve or may reject a Catalyst Fund application. Earlier in NRS 231.037.6, the statute requires that any contract that our office enters into of \$100,000 or more be approved by our Board. I think it was the intent during the last legislative session to have that include the Catalyst Fund. Currently, other than that, there

is no definition of how the Catalyst Fund would be approved. So, we are attempting to replicate the language from NRS 231.037.6 in the Catalyst Fund section of the law, to make clear that they can port. That issue is on page 9 of the PowerPoint presentation ([Exhibit D](#)).

Backing up to page 8, throughout the language of the bill we have requested that we eliminate the words "development resources" because that phrase does not apply to Catalyst Fund funding. It often says "development resources grant or loan." The Catalyst Fund provides grants or loans. This is all contained in the Catalyst Fund section of NRS Chapter 231.

The proposed amendment that we have summarized on page 8 ([Exhibit D](#)) also addresses the definition of the entity that can make application for the Catalyst Fund. That is along the lines of the issue Assemblywoman Kirkpatrick raised.

Certainly it would help clarify the process if we could clearly call out in statute a city or a county or the organizations that can make an application for a Catalyst Fund grant. I think the way the law phrases it now is that the Catalyst Fund process is a two-stage process, where the business working with the regional development authority makes an application to a local government entity. That local government entity then makes an application to our office and our Board. There was discussion about whether fire departments or library districts were local government entities. We think it would be much cleaner if it was a city or a county. That is how the process is functionally working right now.

To do that we eliminate quite a few lines in the statute, lines 35 through 41 [on page 7 of [A.B. 61](#)] in section 7. This would be the elimination of subsection 2(a) and (b), leaving just "Any county or incorporated city in this State," and then they apply for the Catalyst Fund grant, eliminating approximately the next seven lines below that [through line 6, page 8].

On page 10 of the presentation we are recommending elimination of the Interagency Committee for Coordinating Tourism and Economic Development, as well as the Advisory Council on Economic Development. It is not that those organizations or the people involved in those organizations could not meet if it was necessary or they desired. I do not think the legislation is necessary in order for them to do so. There are some requirements as a result of that legislation that frankly are not being met, so the repeal of those sections is our recommendation.

On page 11 we have an additional proposed amendment. This amendment actually has been endorsed by our Board. Our Board contains two of the three

members of the Board of Examiners. Currently, as we discussed earlier, our office is required, if we have a contract of \$100,000 or more, to receive the approval of our Board to enter into that contract. We are also required to go to the Board of Examiners to have that contract approved. The recommendation we have is to lower the threshold for contract approval required by our Board to whatever the existing threshold would be for the Board of Examiners, and then eliminate the requirement that we go through two-step process in order to have a contract approved. That would apply also to Catalyst Fund funding, as those two parts of the statute are intended to be interlinked. So, where we discussed earlier the \$100,000 threshold, currently that would drop to a \$10,000 threshold for both.

Page 12 shows the sentence we would like inserted in NRS 231.0685, which is the part of the statute that outlines our reporting requirements. This is in response to a request from Assemblywoman Kirkpatrick. We would like to put in statute some requirements for reporting the results that have been associated with the abatements that have been provided for economic development efforts. In the statute we would include the number of jobs, the average wages, the assessed value of personal property, and the assessed value of real property for each of the companies for which abatements have been approved. These are the baseline issues that we use to consider whether to give a company an abatement, and they are the driving forces behind the abatement process.

I am happy to answer any further questions on A.B. 61.

**Chairwoman Bustamante Adams:**

On page 11 of your PowerPoint, when you were talking about the Board of Examiners, because it includes two of the three Board [of Economic Development] members, how would that work if we were to go with a recommendation that they appoint a designee?

**Steve Hill:**

That is an excellent question. I do not think our Board considered that either, as they are all obviously serving. I need to think on this and will get back to you with an answer.

**Chairwoman Bustamante Adams:**

I want to make sure I heard you correctly. You would want to reduce the threshold for GOED to match the Board of Examiners, so that would go from \$100,000 to \$10,000. Is that what you said?

**Steve Hill:**

That is correct. The Governor and the Secretary of State felt that if we were going to be exempt from the Board of Examiner process, the same thresholds should apply for our Board's approval.

**Assemblywoman Neal:**

So, for the exemption from the contract approval that refers to over \$100,000, or that is dealing with the \$10,000, since the reduction in threshold?

**Steve Hill:**

Our request is to be exempted from the Board of Examiners process. In conjunction with that lower threshold that would require us to go to the Board of Economic Development for approval, down to the same level as the Board of Examiners.

**Assemblywoman Neal:**

So with over \$100,000 you are going through the existing process. You are no longer going to do \$100,000 loans or grants?

**Steve Hill:**

No, we would no longer go through the Board of Examiners.

**Assemblywoman Kirkpatrick:**

I just want to clarify something. I remember the discussion that was had, but I am not sure everybody else on the Committee remembers it. In the past there were some dollars that went to the regional development authorities. There were 14 of them across the state. I am not exactly sure where the money came from in the state, but there was a little bit of money that we spread out across 14 different regional development boards. What was said between everybody last session about Assembly Bill 449 of the 76th Session was a year in the making and then it was condensed into two hours, so things had to be cleaned up. I am not taking a position one way or the other, but I think it is important for the Committee to understand some of the hoops that everyone had to jump through last session. The thought process was to consolidate all of these 14 boards and try to do something better. A lot of people were doing good, but then we wanted to do better. I do not know where that money originally came from. I think it had always been in place and, if you averaged it out, we gave everybody a few nickels and sent them on their way, which did not work. We looked at how we had to disburse the dollars. It is important that we not lose sight of what we spent four years trying to accomplish.

If I remember correctly, it said that we had to give the money to local government instead of directly to the regional development boards. The money

had to go through a pass-through and there was a constitutional reason. That did not mean that local government could not keep the money and do something with economic development, but the conversation is that they wanted to create a regional development authority. There were months spent in different meetings trying to get everybody together. I went to about six myself. They were trying to figure out if they could even work together, or if the county would keep the money and then disburse it. We would go back to the 14 acceptable economic development boards, but that is not really efficient.

What I can tell you is that the local officials decided they wanted to work together to have one bigger bite of the apple, and to have a vision within the three different parts of the state.

I think folks, myself included, are confused with the way it is worded with respect to nonprofits. You are not trying to get rid of the local governments as much as going direct again, correct? That is not what we are trying to get to? I think the Committee is still trying to understand section 2. I do not know if there is a better way to clarify it. I wanted to give people the history. I think in section 2, when you talk about the amendment, you have to somehow clarify what specifically you are trying to do. I heard what Assemblyman Grady said, wanting local government to have a play in this. This goes back to the energy abatements from 2009 when we were giving away local government's money and they wanted to keep it; however, I do not know that and I do not disagree. I promised local government they can have their portion of the money back that the state took, but we needed a quick fix.

I think those are two separate issues than what you are trying to get to in section 2, correct? I do not want to speak for you, but I am trying to bring some historical perspective.

**Steve Hill:**

Thank you for your perspective. There was some confusion as we worked through and figured out how to deal with the current regional development authorities. I was trying to make the language more clear for folks in the future. If it is causing more difficulty than it is worth, then we can go back to the original language.

**Assemblywoman Pierce:**

For me this is not just about local governments, it is about accountability. I remember a couple of years ago when that private nonprofit regional development body in the south put up a whole series of very tasteless billboards in southern California. They looked like they were put up by the

State of Nevada. There was no accountability there. I do not want to be represented by a private nonprofit.

Another thing about the whole regional development authority issue, regarding section 4 [of the bill], page 5 of your PowerPoint, clarifies that a contract may be voided in the event a regional development authority designation is removed. That seems odd to me. I have heard it every single day, 20 times per day, from everybody in the business community, for the last five years, that what the business community cannot stand is not being sure. They need stability. How can we have contracts where all of a sudden the regional development authority could disappear and then the contract is gone? Consistency is what businesses need.

**Steve Hill:**

The statute right now requires oversight by our office of the regional development authorities. It also requires that we go through the request for proposal (RFP) process and contract with them. It is our and the Board's responsibility to oversee issues in statute right now, and others that you raise.

In the event that a regional development authority does something egregious enough to have their designation removed, statute currently gives me the responsibility to remove that designation. There would be a question whether we would be responsible for continuing to pay them through the rest of that contract, even though they did not have the designation as a regional development authority.

We were trying to bring consistency to the concept of the designation and the contract, which go hand in hand through that RFP process.

**Chairwoman Bustamante Adams:**

Thank you for your presentation. I know there is still some work we have to do. We will transition to anyone in support. Is there anyone in Las Vegas in support of A.B. 61? [There was no one.] Is there anyone in Carson City in support of A.B. 61? [There was no one.] Is there anyone in opposition to A.B. 61, those who are concerned with any of the sections? [There was no one.] Is there anyone in neutral for A.B. 61?

**Jeff Fontaine, Executive Director, Nevada Association of Counties:**

We are neutral on the bill as written. I also want to express, on behalf of the Nevada Association of Counties (NACO), our appreciation to Director Hill for working with the counties on the tax abatements. I would like to respond to Director Hill's comments regarding the local government input on tax abatements to their taxes. Mr. Hill commented that in his tenure as the director



of GOED he has not experienced a situation where a local government did not support a tax abatement to their taxes, so to me it appears that this process is working. If the process is working with local governments, and in particular the counties we represent being supportive and interested in participating, and they appear to be responding in a timely manner, why not put it in statute? Why not make it a requirement?

We do not want this to be an impediment. We do not want this to cause a problem or a delay in recruiting a business to the State of Nevada. We would be happy to try to work on a process or something that we could put in statute that would guarantee the local governments have their input.

I specifically want to comment on the 14-day proposal. I can just tell you that 14 days would not work for local governments because of the requirements of the Open Meeting Law for posting. Counties meet twice a month. If you do not get that request in for the agenda for a meeting at least three or four days prior to the meeting then we have to wait.

**Wes Henderson, representing the Nevada League of Cities and Municipalities:**

I would just like to echo Mr. Fontaine's comments. We agree with them completely. Fourteen days is problematic.

**Chairwoman Bustamante Adams:**

We will close the hearing on A.B. 61 and open the hearing on Assembly Bill 38.

**Assembly Bill 38: Makes various changes concerning the abatement or deferment of certain taxes imposed on a new or expanded business. (BDR 32-296)**

**Steve Hill, Executive Director, Office of Economic Development, Office of the Governor:**

There are four documents before us on Assembly Bill 38. The first is the bill. There is a one-page memo from the Governor's Office on Economic Development (GOED) ([Exhibit E](#)) recommending amendments to this piece of legislation. There is another PowerPoint presentation ([Exhibit F](#)) to help walk through each of the sections of the bill. It combines the language in the bill with the amendments we are recommending to the bill. I added one additional document for this hearing. It is a summary of a series of articles *The New York Times* put out that has drawn attention across the county and here in Nevada ([Exhibit G](#)).

I would like to make a couple of introductory comments regarding abatements. *Nevada Revised Statutes* Chapter 360 defines the abatement process.

In general, our recommendation in this bill is to clarify and streamline the process, to somewhat narrow the gap between the qualifications required by companies moving to Nevada versus those expanding in Nevada. There is a pretty vast difference at times between those two sets of qualifications. It proposes to eliminate two abatement programs we currently have, one in its entirety and the majority of another. These are programs that have not been used, or we feel are not exceptionally efficient. It does seek to expand one abatement program for specific use.

When the topic of abatements comes up it typically drives a lot of attention. I want to point out that, from our perspective, abatements are certainly not the only issue when it comes to recruiting or helping companies grow, but they are important. I think most in economic development would agree. The way the recruiting process works, particularly when we are working with companies from outside the state, it is sort of a funnel system, with a series of hurdles where states and regions are eliminated from the process, leaving a few finalists. For instance, if a company from the East Coast may want an operation on the West Coast, they will look at potentially 20 or more locations throughout the west to consider possibly moving forward with more due diligence. They will typically narrow that down to five or six, and ultimately to two or three to make a final comparison. Part of our job is to try and get us into that final group. If we can get those companies to Nevada, they are often very impressed with our state. Abatements are very important by the time we get to the point we are in the final two or three potential locations for a company. Those final two or three location states all show very attractive qualities for that company. Reaching the finish line often does take abatements.

It is important to point out that abatements are only available in Nevada to what we call primary companies. I have previously stated that it is hard to define a primary company, but that is not true. It is actually pretty easy to define a primary company. It is a company that exports its product or services outside the State of Nevada, from a Nevada perspective. If you are responsible for economic development in Elko County, it would be a business that exports its products or services outside of Elko County. The term export is often used to represent international export, but when we talk about a primary business, that is not a requirement. It can be exporting to Stockton, California, or Shanghai, China. It does not make any difference. If you send your products or services out of the state you are bringing money back into the state. That is the definition of a primary company, and that is the type of company that drives an economy.

That is why we can find the abatements that we provide to primary companies. That is also why abatements and the abatement process tend not to cause

competition between other Nevada companies. As an example, here in Carson City if we were going to provide an abatement to a restaurant, that would obviously cause competition with the other restaurants in Carson City. There is only so much money available in Carson City for its citizens to spend at restaurants. If you had a restaurant, that restaurant itself may add jobs but it is displacing jobs in a different restaurant. In order to grow the economy in Carson City you have to bring in a business that is bringing in more employees and more dollars in order to expand the entire economic pie. Those companies that you would bring into this area would be considered primary companies.

In this bill we talk about some adjustments to the abatement process. I wanted to let you know that our board is also reviewing the process that we use on a semimonthly basis in granting these abatements. We are working to broaden and deepen the scoring system we use. I think we are putting more emphasis than has been put in the past on the quality of the health care that is provided to employees. We do not think it is good policy to encourage companies to move to Nevada and then have to turn around and support the health care for those employees.

We have used a single scoring system in the past. I think we will ultimately be using two different scoring systems in the future, because there are two primary drivers for attracting companies to Nevada and providing abatements in order to do that. One is to create jobs. That is the one we talk about the most. It is the one that makes headlines. It is the one that people do math against. The other motivating factor, though, is driving additional tax revenue for the state.

Abatements have the ability to help increase tax revenue and not decrease tax revenue. On the other side, if used improperly, it has the ability to decrease cash revenue in the state. When a company is looking to move to Nevada and make a significant investment in the state, even if that is not associated with a large number of jobs being created, that investment is the base upon which taxes are generated. The Apple relocation is the easiest and most high-profile example of that. The primary motivation there was to increase the tax generated in Nevada. An easier term for tax abatements would be a tax discount. We are providing a discounted tax rate to a company because, in our opinion and in their statement, they would not come to Nevada if we did not do that. Businesses do that, and at times the state needs to do that as well.

Lastly, I would just point out that while we are giving a good deal of thought to the policy around tax abatements, we also need to keep in mind the competitive environment that we are in as well. That is a part of why I put together this one-page handout ([Exhibit G](#)) that summarizes incentives by several states.

There are 18 states listed on this page. The 12 at the top are the western states. They are the primary states we are in competition with for most relocations. It shows the number of programs we have in Nevada from an incentive standpoint, the number of grants we have provided, the dollars per capita, and the ratio versus the state budget. It was an attempt by *The New York Times* to show relative size. It is not that all of these incentives are coming into the state budget in each state. It was just a ratio of dollars in abatements to dollars in a state's general fund, to provide some perspective on relative size. The two states in the middle, Tennessee and Florida, were put in there just to provide some different geography, as well as a couple of states that are in some ways similar to Nevada and are typically considered to do pretty well in economic development. The four states at the bottom are the ones that are the most similar to Nevada in terms of numbers of programs and dollars spent. Of the 50 states and the District of Columbia, Nevada has the lowest spending on incentives of any state in the country. It also has the lowest ratio of dollars spent versus the state budget. It certainly has the lowest number of programs, with Wyoming and New Hampshire the only ones that are within 200 percent of the state. So, we are not a state that is leading in any way from an incentive standpoint. It might be considered leadership in the other direction. I think Nevada has a lot to offer, and having those incentives to overcome obstacles that businesses may have in moving here are important I think.

With that there is a PowerPoint handout for A.B. 38 ([Exhibit F](#)).

**Chairwoman Bustamante Adams:**

We will take sections 1 through 3, and then we will pause to ask questions.

**Steve Hill:**

In section 1 there are a couple of language changes that are then repeated continuously throughout the bill. The first is the definition of eligible property. That definition takes the place of capital goods. Eligible property will be repeated throughout this bill. This was a suggestion that came from our Deputy Attorney General from conversations she had internally there.

Section 2 eliminates the intellectual property abatement. We did commission a study on incentives by AngelouEconomics. Angelos Angelou has done work here in the state. He has done work all over the country and the world. One of the recommendations his organization made was to eliminate the intellectual property abatement. We agree with that. We are not trying to send a message by eliminating this abatement. We certainly would welcome companies that are primarily invested in intellectual property, which is how this particular part of the statute works, but it is nearly duplicative of our standard abatement.

Most companies that would base their application on intellectual property would also qualify under our standard abatement. As far as I know, only once has someone attempted to use this, so having it in statute when it is virtually never used did not seem to make sense to us.

In section 3 we try and clarify dates and thresholds for abatements that can help to inform the contracts we enter into with companies, clarify specific dates for them, and also help the Department of Taxation when it comes to the audit time frame. This language is repeated quite often throughout the bill.

Also in section 3, we are proposing we lower the threshold for the number of jobs from 75 to 50 in the larger counties and from 15 to 10 in the smaller counties for companies moving to Nevada and qualifying for abatements. I do not know the entire history of this statute. There are large discrepancies between what it takes to qualify for a company moving to Nevada versus a company that is already here and expanding in Nevada. It is our opinion that those thresholds should be narrowed. Frankly, from a strategic standpoint, it is harder to get a company to move from outside Nevada than it is to get them to expand once they are here. Our incentives are the opposite. It is much harder to provide those incentives in order to have them move to Nevada than it is to provide the incentives once they are actually here. We will address that a couple of different ways in the bill.

On the other end of that spectrum, we are recommending we raise the threshold for companies expanding to Nevada, just in the larger counties. Currently the statute says that a company can qualify for abatements if they increase their employment by "10 percent, or six employees, whichever is greater." We are recommending that that be moved to "10 percent, or 25 employees, whichever is greater." There is criticism of abatements, that they are used when they are not necessary. It is my opinion that the difference between the current statute and our recommendation is the place where that has the potential to happen most. At times I think we are rewarding companies for decisions they would make with or without those abatements. I do not think that is what abatements are for. We certainly appreciate when companies expand. We applaud and celebrate that. It is important. The purpose of abatements is to drive a decision-making process. We feel this is an area where it is less effective in doing that than in most other areas where these qualifications exist.

**Chairwoman Bustamante Adams:**

Are there any questions from the members of the Committee on sections 1 through 3?

**Assemblywoman Neal:**

In section 2, you said you deleted the intellectual property language because it was duplicative; however, I thought in Assembly Bill No. 449 of the 76th Session, there were specific provisions. I remember this distinctly as page 130, mainly because it was a bill that I had helped to write. When you made the statement that it has only been used once, I thought we were moving in a direction where we were trying to increase our intellectual property development, especially at Nevada System of Higher Education (NSHE), and that NSHE was going to act as a kind of hub to be a support for intellectual property development. Now, with the movement that is happening downtown, my understanding was that there were huge intellectual property actions or developments taking place. I just wanted you to clarify that for me.

**Steve Hill:**

I am not familiar with the citation from A.B. No. 449 of the 76th Session. I would be happy to take a look at that and discuss it with you. You are correct that there are a number of businesses developing around the intellectual properties phase, certainly at the university, downtown, across the state, frankly. We continue to encourage that. This is actually happening and it has not taken an abatement to make it happen. We have the ability to implement the same abatement already, which is why we do not think it needs to be duplicated in the statute.

Maybe I should explain that a little further. Our standard abatement requires two of three hurdles be crossed: the number of employees created or jobs created; the average wage needs to be the statewide or county average or higher; and then there is a provision for the amount of investment that a company makes. In a large county that is \$1 million. The only difference in the intellectual property abatement statute is that the investment is \$500,000 versus \$1 million, the employees are the same and the wages are the same. Defining the future investment in intellectual property has become a very difficult thing to do. In addition, current statute provides me, and we are recommending that this be the Board and not me, the authority to make those qualifications either more or less stringent as we deem necessary in order to attract businesses to the state. Given the amount of discretion that is available there and the very similar nature of these two statutes, we just do not think that this provision in the statute is necessary. It is not intended to convey a message in any way, shape, or form that we are not encouraging these types of businesses, and will continue to encourage them.

**Assemblywoman Neal:**

I wanted to dig further into the issues about investment. It is hard to identify what the investment is.

**Steve Hill:**

The statute requires that the investment in capital equipment, or in this case intellectual property, be made within two years. There is a specific definition around that. That investment has to be auditable as well. What has happened is that when a company has come to us thinking about using the intellectual property abatement provision to qualify, we have ended up reverting to the standard process because it is much easier to define and implement.

**Assemblywoman Benitez-Thompson:**

I will start with a comment and then my question. I really liked hearing about using abatements as leverage to motivate specific business decisions to build and grow in Nevada, versus something that is happening organically and allowing that to thrive in a business environment, whether you water them with abatements or not. You are going to have specific actions happening because they are market-driven.

Regarding page 7, line 41 of the bill, where you are making the change from 75 to 50 employees, over the course of the past year can you quantify for me the number of businesses you imagine capturing with that 25 number difference?

**Steve Hill:**

We have discussed the discretion that our office, the Board, and the Commission on Economic Development had in the past in reviewing these applications. Moving from 75 to 50 would more closely reflect the past decisions that have been made rather than being about capturing more businesses. I will get you the exact number, but I would estimate that half of the abatements that have been approved over the past several years have been with less than 75 employees.

**Chairwoman Bustamante Adams:**

I will note that we will receive that information from you.

**Assemblyman Hardy:**

My colleague from Reno asked the question, but I want to ask it a little differently, regarding the 50 versus 75 or 10 versus 15. I am assuming you are coming up with the conclusion that the value of the business is more valuable than the amount of employees we get. Have you done that evaluation? When I look at an abatement I want to make sure that I am creating jobs, along with bringing a solid, secure business. To me that is what is important to our state right now. Can you help me with that?

**Steve Hill:**

It is a good question and I appreciate you bringing it up. I think it brings up a point that should be made.

When we talk about abatements we typically think of them in terms of the percentages. That is how they are outlined in tax numbers. We can abate sales tax from whatever the prevailing rate is in the county down to 2 percent. We can abate 50 percent of the property tax. When you apply that to a business model, you can get vastly different numbers for different businesses as a result of that math. The way our abatement structure in Nevada is set up it lowers the cost of what you buy but not who you pay. If you are a capital-intensive business, the abatements that you receive are going to be pretty large in comparison with the amount of money you are spending. If you are a low capital-intensive business—more personnel and employee oriented, about the number of jobs the intellectual property-type businesses—the amount of incentives that we can provide you are very low.

Take-Two Interactive Software, Inc. has recently moved to Las Vegas. We are providing them with abatements over ten years. The company has 150 employees who are moving into downtown Las Vegas, taking up quite a bit of space, and we provided them with a Catalyst Fund grant. It was one of the reasons the Catalyst Fund grant was needed in this case. They are a jobs-based employer not a capital-intensive employer. We are providing them all the abatements we can provide. I think it is \$223,000 over ten years. For a company with 150 employees that is a fairly low number. The Catalyst Fund grant was \$600,000.

On the other side of that spectrum, obviously, is the Apple data center. They are exceptionally capital-intensive and our tax structure is such that it taxes those specific areas. In order to be competitive, we had to provide very large incentives on those capital purchases.

It is different with different companies. The motivation comes from both the job side and the capital-investment side.

**Assemblyman Hardy:**

So, when you look at a business you also take into account the potential ancillary jobs that support that business, and what they do outside of that. Is that what you are telling me?

**Steve Hill:**

Yes. Because we only give abatements to primary companies, we talk about this as the indirect effect of bringing those businesses here. All the secondary



companies that will supply their employees and supply that company will benefit as a result of that company coming. That benefit varies. There is an economic model called IMPLAN that most every state uses to estimate this, and the result is based on how much of the supply of their products will be purchased in the state, and also on the wage level of the jobs. When you bring an innovation-based, high-waged job to the state, the indirect impact of that is much greater than for a lower-paying job. It makes sense.

**Assemblywoman Neal:**

My last question is on section 3. I was reading minutes from the March 20, 2012, meeting and while I was reading I was thinking about the very general questions being asked of the companies, and their very general answers. You can only read the minutes if you could not attend the meeting. Why not really get into their business and find out what they really want to do?

**Steve Hill:**

You were probably reading minutes from the Commission on Economic Development, if it was last March. The new board took over that process in July. If you look to see the work that has been done behind that meeting and the information that is provided ahead of that meeting to the board members, I think that would explain the impression you got.

We have a summary of the company that answers all of those questions and more, including what the direct and indirect economic impact is and what projected tax revenue is going to be generated for each tax source. We have a scoring mechanism that goes along with that. We have probably 20 pages that explain the company and what their business plan is. We recently have required companies that want an abatement to submit the benefits booklet they hand to their employees so we can also score the benefits, in addition to the jobs created and the economic impact.

The packet that we will be sending next week to our Board members for our March meeting on the abatements is probably like that [indicated six inches of thickness]. This information is not reflected in our minutes, but is posted on our website and is publicly available.

**Chairwoman Bustamante Adams:**

Let us move on to sections 4 through 7. We will have to pick up the speed because we are going to lose some Committee members to other committees.

**Steve Hill:**

Section 4 on page 7 ([Exhibit F](#)) is a proposed amendment to lower the threshold to qualify for the personal property tax abatement. This is set uncompetitive

and very high. In large counties there is currently \$50 million for industrial companies and \$5 million for commercial companies. We have left a split between those two on our recommendation. We have recommended that those be reduced to \$5 million and \$1 million, which somewhat more closely resembles the rest of our abatement process. I am not quite sure why we would penalize an industrial company versus a commercial company. I am assuming that there was discussion and policy behind that in the past, so I have not changed them to make them equivalent, but I could not tell you why the difference exists.

In smaller counties we are recommending that we lower that threshold from \$5 million to \$500,000 for industrial companies, and from \$500,000 to \$250,000 for commercial companies. When we look at the other abatements, the threshold is \$1 million across the board for all companies in large counties, and half that amount in smaller counties. These are exceptionally large and in comparison with other states, not very competitive.

The program we are requesting is in section 5 ([Exhibit F](#)). It is a very focused, defined program—this would move us from seven to eight on this list—and is an additional program that we think is important for Nevada. It is to expand the personal property tax abatement from 50 to 85 percent and the eligibility period from 10 to 15 years for companies operating in a foreign trade zone. One of the direct state objectives is to expand our international reach and largely our international exports.

The companies that operate in a foreign trade zone do virtually all of their business through exports. We talked about the importance of primary jobs. In Nevada we define the eligible companies as those where 51 percent or more of their products are exported. A company operating in a foreign trade zone is a virtually 100 percent export company. As you can see, Arizona offers this slight variation, with 75 to 80 percent permanent tax abatements for both real and personal property tax for companies operating in a foreign trade zone in Arizona. Arizona is our closest and highest competition for these types of businesses. We think this is one of the key opportunities for growing the economy in Nevada, so we think it is important that we be competitive in this area.

At the end of that we recommend it be sunsetted on June 30, 2017. One reason is that we want to see how this works and we think that as a new program it deserves a review. We thought allowing the opportunity to implement this for four years and then reviewing it made sense.

In section 6, page 9 ([Exhibit F](#)) we recommend that we eliminate the sales tax deferral for purchases less than \$1 million. Currently our statute has several gradients that allow deferral of sales tax paid on purchases, and they run from \$100,000 up to \$1 million. From \$100,000 to \$300,000 you can defer that sales tax for a year, and then the next increment for two years. Once you have reached \$1 million and over, it is five years. At \$100,000 of purchases you are paying roughly \$8,000 in sales tax. I do not think the ability to defer that for a year is a driving decision. It is just not that much money. You still owe it and you have to start paying it. In addition, the Department of Taxation has to audit it. As you get to large numbers, that deferral could be important. We think below \$1 million is more administrative work than it is worth.

In addition, we have tried to bring a little more clarity to the payment schedule. It is somewhat undefined in statute, so we put some specific definitions as to when these payments must start, how much they should be, and when they should end.

Section 6, on page 10 ([Exhibit F](#)) is again probably due to a miscommunication on my part to your staff. There is a definition in a different part of the statute that says what is not included in eligible property or capital goods. When we tried to include that in other places in the statute the meaning of that was actually reversed. I am sure this gave local governments some significant heartburn. The list of that equipment is meant to say "does not include this list," rather than "this is what the definition is." That is repeated again later in the statute.

Page 11's proposed amendment goes back to the process. During the 2011 session, *Nevada Revised Statutes* (NRS) 360.757.1 and 1(a) were changed. It used to require a public meeting. It was changed to require a hearing. That causes us to go through a process where we call a company in, they hand us information we already have, then go to the board, then reopen the hearing, and do it again. If our recommendation on who makes the decision is adopted, we are asking that we go back to having a Board meeting, at which time our board would make the decision. There is a definition around holding a hearing. It is a process. It runs much like a court setting. I cannot find where that was discussed in legislative history. I do not know what the intent was during the last session behind changing from a meeting to a hearing, but it would be helpful if we could change it back to just having the public meeting. It would be helpful for the companies too. Currently we are asking them to come to a hearing, then come to a board meeting, then come back to a hearing so they can be approved.

On page 12 ([Exhibit F](#)) we talk about the 14-day notice. The concerns are noted. As Mr. Fontaine walked by me earlier I offered to split the difference with him. We will see if we can do that.

**Chairwoman Bustamante Adams:**

Are there any questions from the members of the Committee?

**Assemblywoman Pierce:**

My recollection is that every inch of Nevada, outside of the test site and Nellis Air Force Base, is eligible to be a foreign trade zone. Is that correct?

**Steve Hill:**

Actually, there are a limited number of acres in both Clark County and Washoe County that are eligible to be in a foreign trade zone. I do not know exactly what the number is in Washoe County. It is 2,000 acres in Clark County.

What we do have is a flexible foreign trade zone, which is somewhat unique in that it does not have to be contiguous acres. They can be in different locations throughout the county, depending on where the companies need to locate in order to operate most effectively. That is a real benefit for the state, both north and south.

**Chairwoman Bustamante Adams:**

In section 5 you stated it would expire on June 30, 2017. Would that include the changes that you are proposing to reduce it from a capital investment of \$50 million to \$5 million?

**Steve Hill:**

That was not my intention. The sunset was intended to be solely for the additional property tax abatement in the foreign trade zone.

**Chairwoman Bustamante Adams:**

Are there any other questions from the members of the Committee on sections 4 through 7? [There were none.] We will move to the support position for A.B. 38. [There was none.] Is there anyone in opposition to A.B. 38?

**Jack Mallory, representing the Southern Nevada Building and Construction Trades Council:**

We are in opposition to A.B. 38 as it is written, as well as the proposed amendments from GOED. We are particularly concerned with the changes that are outlined in section 3 of A.B. 38 in regard to the required number of employees. Decreasing the number for the large municipalities and counties

from 75 to 50, even with the requirement that they have to hire an additional 10 percent or 25 employees, and decreasing the number from 15 to 10 for the smaller municipalities and counties we think is inappropriate.

On page 10 [of A.B. 38] in the same section is the requirement that the business provide a health insurance plan for all of its new employees by the fourth calendar quarter. We appreciate that there is a timeline put in place in statute and think it is appropriate to do so. We do not know whether or not four calendar quarters is a short enough period of time for them to meet that requirement.

Looking at A.B. 38, sections 4 and 5 confused me because they are amendments of the same section, unless there is a typographical error here. I had to look at the two of them together. While we appreciate there may be an issue with the higher levels of capital investment that need to be made, we do not believe that reducing \$50 million down to \$5 million is an equitable change based on what could potentially be a very significant public investment of tax dollars in the form of an abatement. We feel effectively the same way about the other changes on page 14 [of A.B. 38] that are being proposed.

**Chairwoman Bustamante Adams:**

We will move to the neutral position. Is there anybody here in neutral for A.B. 38? [There was no one.] I will close the hearing on A.B. 38. Is there any public comment in Las Vegas? [There was none.] Is there any public comment here in Carson City? [There was none.] The meeting is adjourned [at 3:22 p.m.].

RESPECTFULLY SUBMITTED:

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Gina Hall  
Committee Secretary

APPROVED BY:

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Assemblywoman Irene Bustamante Adams  
Chairwoman

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

**EXHIBITS**

**Committee Name:** Committee on Taxation

**Date:** March 7, 2013

**Time of Meeting:** 1:32 p.m.

<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Attendance Roster
A.B. 61	C	Steve Hill	Proposed amendments
A.B. 61	D	Steve Hill	PowerPoint presentation
A.B. 38	E	Steve Hill	Proposed amendments
A.B. 38	F	Steve Hill	PowerPoint Presentation
A.B. 38	G	Steve Hill	Incentive summary by state