

**MINUTES OF THE JOINT MEETING  
OF THE  
ASSEMBLY COMMITTEE ON TAXATION  
AND THE  
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-Ninth Session  
February 9, 2017**

The joint meeting of the Assembly Committee on Taxation and the Senate Committee on Revenue and Economic Development was called to order by Chair Dina Neal at 4:05 p.m. on Thursday, February 9, 2017, 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 [www.leg.state.nv.us/App/NELIS/REL/79th2017](http://www.leg.state.nv.us/App/NELIS/REL/79th2017).

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Assemblywoman Dina Neal, Chair  
Assemblywoman Irene Bustamante Adams, Vice Chair  
Assemblyman Paul Anderson  
Assemblywoman Teresa Benitez-Thompson  
Assemblywoman Lesley E. Cohen  
Assemblyman Edgar Flores  
Assemblyman Jason Frierson  
Assemblyman Al Kramer  
Assemblyman Jim Marchant  
Assemblyman Keith Pickard  
Assemblywoman Ellen B. Spiegel

**SENATE COMMITTEE MEMBERS PRESENT:**

Senator Julia Ratti, Chair  
Senator Aaron D. Ford, Vice Chair  
Senator Patricia Farley  
Senator Heidi S. Gansert  
Senator Ben Kieckhefer  
Senator David R. Parks  
Senator Michael Roberson



**COMMITTEE MEMBERS ABSENT:**

None

**GUEST LEGISLATORS PRESENT:**

None

**STAFF MEMBERS PRESENT:**

Russell Guindon, Principal Deputy Fiscal Analyst  
Michael Nakamoto, Deputy Fiscal Analyst  
Joe Reel, Deputy Fiscal Analyst  
Gina Hall, Committee Secretary  
Colleen Lennox, Committee Secretary  
Lex Thompson, Committee Secretary  
Olivia Lloyd, Committee Assistant

**OTHERS PRESENT:**

Deonne E. Contine, Executive Director, Department of Taxation  
Barbara K. Cegavske, Secretary of State, Office of the Secretary of State  
Scott W. Anderson, Chief Deputy, Office of the Secretary of State  
Diana J. Foley, Administrator, Securities Division, Office of the Secretary of State  
A.G. Burnett, Chair, Nevada Gaming Control Board  
Frank Streshley, Chief, Tax and License Division, Nevada Gaming Control Board  
Patricia Jesinoski, Private Citizen, Henderson, Nevada  
Bonnie McDaniel, Private Citizen, Las Vegas, Nevada

**Chair Neal:**

[Roll was taken and Committee rules and protocol were reviewed.] We have three presentations today. The first presentation will be from the Department of Taxation. The second presentation will be from the Office of the Secretary of State. The third presentation will be from the Nevada Gaming Control Board. We will start with the Department of Taxation.

**Deonne E. Contine, Executive Director, Department of Taxation:**

I will go through the presentation you have received and will start with the Department overview [page 2, ([Exhibit C](#))]. The Department administers the collection and distribution of nearly \$6 billion annually in state and local government revenue from 16 different tax types. We are responsible for providing fair, efficient, and effective administration of tax programs of the State of Nevada. The Nevada Tax Commission (NTC) is an eight-member body. It is the head of the Department by statute, and the Executive Director is responsible

for day-to-day administration. All members of the NTC are appointed by the Governor as I am. The NTC adjudicates contested cases. If a taxpayer has a dispute with the Department, either over a billing or some other decision that we made, he or she can appeal that decision to the NTC. The NTC adopts regulations and ensures fair and equitable treatment of taxpayers across the various tax types.

We are organized into four divisions: Compliance, Administrative Services, Local Government Services, and Information Technology. Compliance is where audit and revenue sit. Audits that happen in tax collection take place in this Division. Administrative Services is accounting and processing. Everything that has to do with bringing the money in and sending it out takes place in this Division. Local Government Services is where centrally assessed and locally assessed property tax and net proceeds of minerals tax is handled. They do some outreach and training for assessors throughout the state, and they help with the real property transfer tax administration. We also serve as staff to five different boards: the Nevada Tax Commission, the Committee on Local Government Finance, the Mining Oversight and Accountability Commission, the Appraiser's Certification Board, and the State Board of Equalization [page 3, ([Exhibit C](#))].

The next page [page 4, ([Exhibit C](#))] is the Department overview, the upper level organizational chart. As many of you know, Terry Rubald used to be the Deputy Director. She was the head of the Local Government Services Division, and she had been with the Department for many years. She retired at the end of 2016. Her position was filled by Heather Drake, who recently moved here from Arizona, but before that, she had about 15 years experience in the Clark County Assessor's Office. We are happy to have her on board, and we think she has the background and experience to hit the ground running in that Division. The Interim Finance Committee recently gave the Department another Deputy Director position at their recent meeting. This Deputy Director will oversee the retail marijuana program. I will talk more about that toward the end of the presentation.

The Department collects and distributes 16 different taxes. These are listed on page 5 ([Exhibit C](#)), and you can see the bulk of what we do. On page 6 ([Exhibit C](#)) are the tax revenues and distributions. We collect and distribute \$6 billion annually. You can see the bulk of our collections and distributions here. The largest source of our collections is sales and use taxes, nearly 70 percent. We distribute almost fifty-fifty between state and local governments.

Page 7 ([Exhibit C](#)) goes into more detail on the sales and use tax. The 2 percent tax rate revenue goes to the State General Fund. We distributed \$1.04 billion in fiscal year (FY) 2016. The 2.6 percent tax rate revenue goes to the local school support tax. The 0.50 percent tax rate revenue goes to the basic city-county relief tax and the 1.75 percent tax rate revenue goes to the supplemental city-county relief tax. We have identified how those are distributed, and the amounts. The sales and use tax rate varies from county to county. The minimum statewide rate is 6.85 percent; however, counties may levy additional amounts known as county optional sales taxes.

On page 8 ([Exhibit C](#)) is the modified business tax (MBT). Financial institutions and mining companies have a rate of 2 percent on all wages. There is a deduction for health care costs. They take their gross wages and whatever deductions they have and come up with their taxable wages. That is what the 2 percent is assessed against. The general business rate is 1.475 percent, and there is a \$50,000 per calendar quarter exemption. The Department distributed \$560.7 million to the State General Fund in the last fiscal year.

Next is the bank excise tax [page 9, ([Exhibit C](#))]. It is a flat rate of \$1,750 imposed on each bank for each branch office in excess of one maintained in this state. That money is also distributed to the State General Fund and last year was about \$2.78 million.

Next is the insurance premium tax [page 10, ([Exhibit C](#))]. The rate is 3.5 percent of premiums written in Nevada. The rate for qualified risk retention groups is 2 percent. I did not go into all the credits and deductions they can take but there are many of them within the statute. This is a rather high-level overview. We do publish an annual report, and I have put the annual report page number on the bottom of each slide. If you want more information, there is a lot of history. It shows all the changes in the law, when rates changed, and when credits changed. I apologize for not mentioning this at the beginning of my presentation.

We have other excise taxes that we collect [page 11, ([Exhibit C](#))]. The State of Nevada collects 1 percent for the transient lodging tax. That is distributed primarily for tourism, with some to the State Distributive School Account. The tire fee, which is \$1 per new tire, is to offset some of the costs of recycling the tires. We also collect a portion of the governmental services fee, which is the short-term car rental fee.

Next is liquor taxes, fees, and fines [page 12, ([Exhibit C](#))]. The rates depend on the type of alcohol—the alcohol content by volume. Those are listed here. We license liquor wholesalers and other license types. They pay a fee to apply for those licenses. We also regulate, to some degree, the liquor industry. The suppliers, wholesalers, and retailers cannot be interrelated. The tax has to be paid, and our regulation of liquor primarily has to do with protecting that three-tier system and making sure the tax is paid on the liquor. Last year, we collected \$48.7 million in liquor tax collections and about \$214,800 in fees and fines [page 13, ([Exhibit C](#))].

Page 14 ([Exhibit C](#)) shows the liquor tax distribution. This distribution goes into something called the consolidated tax distribution (CTX), and it is distributed by jurisdiction. This chart itemizes how much was distributed to each county.

We also collect the revenue and issue licenses for cigarettes and other tobacco products [page 15, ([Exhibit C](#))]. We have regulation components in place to ensure the tax is paid. With respect to cigarettes, we do a little more because of the Master Settlement Agreement. We do more regulation and diligent enforcement on tobacco to make sure the nonparticipating members of the Master Settlement Agreement are paying an amount into escrow. We regulate that and work with the Office of the Attorney General on that.

The cigarette rate is 90 mills per cigarette, which they pay on the stamps. The rate on other tobacco products is 30 percent of the manufacturer's wholesale price. Everything except 5 mills per cigarette goes to the State General Fund; that 5 mills per cigarette goes to local governments. Total collections were \$175 million for FY 2016. You can see by the chart the increase was pretty significant in the last fiscal year. That is not necessarily due to people smoking more. It is likely due to the \$1 per pack increase on cigarettes from the 78th Session [[Senate Bill 483 of the 78th Session](#)].

The next slide [page 16, ([Exhibit C](#))] shows the year-by-year collection of cigarettes and other tobacco products and also shows the changes from the prior year. You can see last year's increase of 49.16 percent from the prior year, again related mostly to the \$1 per pack increase. The cigarettes and other tobacco products distribution is also part of the CTX. This chart [page 17, ([Exhibit C](#))] itemizes the different jurisdictions and the amount of money and the percent of the total they received from last year.

The commerce tax was implemented in 2015 [[Senate Bill 483 of the 78th Session](#)]. It was effective July 1, 2015; the first returns came in on August 15, 2016. The rates are based on business categories and on a company's gross revenue. There is a deduction for the first \$4 million in revenue. For FY 2016, we distributed \$143.5 million to the State General Fund from the commerce tax. Also in the 78th Session was the transportation connection tax [[Assembly Bill 175 of the 78th Session](#)], more commonly known as the Uber tax. This applies to Uber, Lyft, other transportation network companies, and taxicabs. It was effective on September 1, 2015, and is a 3 percent rate on the total fare. Since the inception of the law, the first \$5 million was distributed to the State Highway Fund, per the statute, and \$11.89 million was distributed to the State General Fund [page 18, ([Exhibit C](#))].

I also wanted to talk a little about marijuana. Some of you have already heard me talk about marijuana, but as you know, State Question 2 was passed in the 2016 general election, which legalized one ounce of marijuana in Nevada and requires the Department of Taxation to regulate, license, and collect taxes on marijuana. We are going about that in a two-pronged approach. A temporary program will provide a temporary licensing process and will allow medical establishments to begin selling under the recreational program on July 1, 2017. We are working on those regulations now. We will be having workshops in the near future, hopefully within the next month. The plan is to have the Nevada Tax Commission adopt our temporary regulations on May 8, 2017, the first meeting after the workshop.

The other process we are going through is the permanent regulation program. In the Initiative to Regulate and Tax Marijuana, the Department has until January 1, 2018 to license establishments. The state's permanent regulation process will begin on July 1, 2017, per *Nevada Revised Statutes* (NRS) 233B.063, and that is when the agencies can make permanent regulations. We will be working between now and then to develop the permanent regulations.

As you may know, the Governor issued an executive order [Executive Order 2017-02] creating a task force. The members of the task force are now being seated. We will develop working groups around different topic and industry areas. Those meetings will also happen between now and July 1, with the hope that we have solid regulations, so on July 1, we can submit them to the Legislative Counsel Bureau and get them adopted by the end of the year. This is a very aggressive schedule, and as you may know, it sometimes takes a long time to get a regulation through. However, we have the mandate to have the regulations done by January 1, and we cannot submit the regulations for the permanent regulations until July 1, so this only gives us a six-month window. If you have questions, I would be happy to answer them now.

**Assemblyman Paul Anderson:**

I have two questions. On sales tax in general, do we also charge sales tax on liquor and cigarettes, or is that only at the wholesale level?

**Deonne Contine:**

There is sales tax collected on cigarettes and liquor.

**Assemblyman Paul Anderson:**

On the commerce tax in particular, have you gotten any feedback from businesses based on the calendar year versus fiscal year filing dates?

**Deonne Contine:**

Yes. They all hate it.

**Assemblyman Paul Anderson:**

Are you saying you would not be opposed to changing the filing dates?

**Deonne Contine:**

I understand the problem, and I sympathize with the businesses. I also understand how the state gets revenue. Taking both of those interests into consideration would probably be the best way to come up with a solution. I do know it is a problem for them, and I have heard this across the board.

**Assemblyman Paul Anderson:**

The collection certainly works well for the state budget with the fiscal year filing dates, so I understand that. We did have the 104 percent cap for a combination of, I think, the MBT, the insurance premium tax, and the commerce tax before we start buying down the MBT rates. Do you have an expectation or the ability to forecast where we might be on that?

**Deonne Contine:**

We are required by statute to do the calculation in September. We did the calculation, and it did not trigger the buy-down. The calculation will be done again in two years.

**Assemblyman Kramer:**

I worked many years with Terry Rubald, and I hope that Heather Drake is able to do as good a job as Terry did. I respect her, and she did a great job. I also wanted to add that you are no doubt aware that Advanced Data Systems (ADS) is getting out of the business of doing some of the programming for the assessors and treasurers. This leaves a big hole to fill for the 15 rural counties. I see a funding problem, as well as everything else, and I do not know how that is going to work, but I am hoping the Department of Taxation is aware and is working as part of the solution.

**Deonne Contine:**

We are aware of that, and I have had conversations with the Carson City Assessor, Dave Dawley. Heather Drake is aware of the issue as well. To the extent that the state or the Department can provide resources or help to iron out some of the details, I think we will be involved in that process.

**Assemblywoman Bustamante Adams:**

My question is on the insurance premium tax. With the possible changes to the Affordable Care Act that may come from the federal level, was there discussion at the Economic Forum on what impact that could have on our taxes here in Nevada?

**Deonne Contine:**

Can I defer to Russell Guindon, because of his involvement with the Economic Forum and because the person who does our projections is not here right now?

**Russell Guindon, Principal Deputy Fiscal Analyst:**

Yes, there were discussions by the forecasters with the Economic Forum. It was addressed and made part of the record at their December 6 meeting. Members of the Economic Forum explicitly asked what the potential impact could be. At that point in time, the answer was, we do not know. We will continue to monitor it because the Economic Forum has a statutory obligation to produce a revised forecast, if necessary, on or before May 1. That gives us a few more months to monitor the issue. We may or may not have any additional information, but it can be taken into account to the extent there is information at the May meeting.

**Assemblywoman Bustamante Adams:**

I would be interested in that. My last question is on the commerce tax. I know the intent when we passed the legislation was to be able to gather more information on the North American Industry Classification System codes of the different industries we have in Nevada. Has that taken place? Has it become easier for us to know who is doing business within our state?

**Deonne Contine:**

We have a little more information in that we know which businesses are above or below the \$4 million threshold. On the tax return, there is a box a taxpayer can check if their revenue is below \$4 million. We get the information that it is below, but not if it is \$2 million or \$1 million, for example. We get a little more information but not as much as we thought we might get.

**Assemblyman Pickard:**

The one question I have is with respect to the marijuana tax. Is it the responsibility of the Department of Taxation to investigate, find, and prosecute those who are selling marijuana without paying the tax? Who is responsible for finding the outliers and those bringing it in without following the proper procedures?

**Deonne Contine:**

The Department of Taxation enforces all tax collections under our umbrella. We would have similar processes to what we have for all of our tax types, which would be to audit. It is a little easier in this tax type when an entity has a license and they are working under that license. They have a stronger interest to keep current and to make sure they are in compliance with the tax chapters. I did not go into the details for the temporary program, but what we are looking at doing for the temporary program is making sure the people who are in compliance in all areas of their medical marijuana establishment, the health review, and all that, are in tax compliance. They would be the only entities eligible to get an early-start license. We have the same audit processes for every tax type. We will have that for marijuana as well.

**Assemblyman Pickard:**

Maybe I was not clear. I am thinking about those who are not licensed. Those who are selling outside of the ordinary system. Is it up to the Department of Taxation to pursue those people, or does that fall to law enforcement? My concern is if law enforcement thinks that because it is now legal in Nevada, they do not chase those who are selling it themselves, outside of the system. How do we preserve the integrity of the taxation system by making sure everybody who is selling is licensed and participating?

**Deonne Contine:**

Initially the license for a marijuana establishment on the recreational side will only be those who are licensed for the medical side. At this point, we pretty much know who those people are. To the extent that people are not licensed, if you are a retailer and do not have a seller's permit, we will enforce those provisions. We would get them licensed and in compliance, but not in a criminal way. We work with the other jurisdictions. If we discover someone is illegally selling marijuana, we will notify law enforcement.

**Senator Ratti:**

In what way, if any, are you partnering with the State Department of Agriculture to roll out the comprehensive recreational marijuana program?



**Deonne Contine:**

Currently the Department of Agriculture has a relationship with the medical marijuana program. I think their statutory requirements are that the labs are licensed to test marijuana. If they get a fail, or they get a test they do not like, I think they can pay for one competing test. If they still do not like it, or one is good and one is bad, that is when I think the Department of Agriculture is essentially the referee. I would anticipate, as part of the Governor's task force process, the Department of Agriculture will be at the table, and in fact, the Director or his designee is appointed to the task force. I have already gone to a few meetings with folks from the Department of Agriculture since the Initiative was adopted, so there is a relationship built there and those tasks are currently occurring.

**Senator Ratti:**

What lessons have we learned from our experience with medical marijuana that we should bring forward into the taxation side of recreational marijuana?

**Deonne Contine:**

What I have learned in the last few months is that the medical marijuana program is being run pretty well. I think there is a lot of knowledge in place, and I see rolling out this recreational marijuana program as continuing to work closely with the medical marijuana folks, gaining their knowledge and getting information on issues they are seeing and problems that have developed in their industry. What I have heard is we have a gold standard in the medical marijuana program. I would not look to do much differently from what they are doing now, at least initially, and to build off of their program. I think we have a good model in place right now.

**Senator Ratti:**

My hope is that if there are some minor tweaks or corrections we need to be making to the medical system while we are moving forward with the recreational system, that this would be seamless because most of them are going to be the same entities we are taxing. It would be great to make the paperwork, the process, and everything consistent, so they are not having to do too much that is too different.

**Chair Neal:**

Are there any other questions for Ms. Contine? [There were none.] Thank you for your presentation today. I will now ask the Secretary of State to come to the table.

**Barbara K. Cegavske, Secretary of State, Office of the Secretary of State:**

Good afternoon Chairs Neal and Ratti, and Committee members. Thank you for inviting me to be here this afternoon to present to you an overview of the Office of the Secretary of State. Before I get into the presentation, I would like to introduce my staff who are here with me today.

Present in Carson City are Scott Anderson, Chief Deputy Secretary of State; Wayne Thorley, Deputy Secretary for Elections; Kimberley Perondi, Deputy Secretary for Commercial Recordings; and Cadence Matijevich, Deputy Secretary for Operations. In southern Nevada with me today is Gail Anderson, Deputy Secretary for Southern Nevada; and Diana Foley, Securities Administrator.

The Office of the Secretary of State is one of the original offices established in the *Nevada Constitution* and is responsible for maintaining the official records of the acts of the Legislature and the Executive Branch. Additional duties have been added over time and range from Chief Officer of Elections, recorder of business entity filings, and registrar of notaries public, to administrator of the Uniform Securities Act [page 2, ([Exhibit D](#))].

The Secretary of State serves on various boards and commissions. These include the State Board of Examiners; Board of State Prison Commissioners; Board of Economic Development; Executive Branch Audit Committee; State Records Committee to Approve Schedules for the Retention and Disposition of Official State Records, of which I serve as Chair; and the governing board of the Tahoe Regional Planning Agency (TRPA) [page 3, ([Exhibit D](#))].

The Office of the Secretary of State is organized into eight main divisions: the Commercial Recordings Division, the Business Portal Division, the Domestic Partnerships/Living Will Lockbox/Document Preparation Services Division, the Executive Administration Division, the Elections Division, the Notary Division, the Operations Division, and the Securities Division. Our main offices are in Carson City in the Capitol Building, the Meyers Annex, and the Blasdel Building. We also have an office in the Grant Sawyer State Office Building in Las Vegas. In-person customer services, such as picking up forms or paying fees, are available in both the Carson City and Las Vegas offices [page 4, ([Exhibit D](#))].

The Office of the Secretary of State currently has 137 positions, and the number of positions assigned to each division can be seen on page 5 ([Exhibit D](#)). The executive team consists of me; our Chief Deputy; our deputies for the Commercial Recordings, Elections, and Operations divisions; our Southern Nevada deputy; our Securities Administrator; our public information officer; and my executive assistant.

The Office of the Secretary of State serves as the collector for various fees, fines, and penalties. These range from filing and license fees with the Commercial Recordings Division, to broker/dealer license fees with the Securities Division, to candidate filing fees with the Elections Division. In total, the Office collects, tracks, and monitors revenue from over 40 different sources. The majority of the revenue collected by the Office of the Secretary of State goes to support the State General Fund. In FY 2016, the Office collected revenue of \$207.5 million. Of that total, \$206.9 million, or 99.8 percent, went to the State General Fund. This places the Office of the Secretary of State as the third highest State General Fund revenue-generating agency in the state [page 6, ([Exhibit D](#))].

Page 7 ([Exhibit D](#)) shows the total State General Fund revenue collected by the Office of the Secretary of State over the last ten fiscal years. By way of history, the state business license program was transferred to the Office of the Secretary of State from the Department of Taxation under the provisions of Assembly Bill 146 of the 75th Session. The transfer became effective October 1, 2009, and the first business license fee revenue was realized by the Office in FY 2010. As this chart shows, the total amount of State General Fund revenue collected by the Office of the Secretary of State in each year is trending up, with our highest collection total in history occurring this past fiscal year. Since the state business license program was added, the total State General Fund revenue collected by the Office has grown steadily between FY 2011 and FY 2015 at approximately 3 percent per fiscal year, with a significant increase of over 19 percent, or \$33.7 million, in FY 2016. We attribute that increase primarily to Senate Bill 483 of the 78th Session, which raised the business license fee charged to for-profit corporations from \$200 to \$500 and the annual filing fee by \$25 for all entity types.

Page 8 ([Exhibit D](#)) shows a breakdown by division of the State General Fund revenue collected by the Office of the Secretary of State for FY 2016. As you can see, the largest State General Fund revenue generators in the Office are, by far, the Commercial Recordings Division at 85.3 percent, which is \$176.5 million, and the Securities Division at 13.5 percent, which is \$27.9 million. Together, the Commercial Recordings Division and the Securities Division make up 98.8 percent of the total State General Fund revenue collected in FY 2016 by the Office of the Secretary of State. The remaining 1.4 percent comes from Uniform Commercial Code fees, which is \$1.9 million; the Notary Division, which is \$514,491; and the Elections Division, which is \$35,975.

Page 9 ([Exhibit D](#)) lists some of the fees and penalties collected by the Office of the Secretary of State, the dollar amount or range of the fee, and the statutory authority under which the Office collects the fee. Please note that the table does not include every fee or penalty collected by our Office, just the main ones. Revenue from the fees and penalties listed here makes up approximately 96 percent of the State General Fund revenue collected by the Office. The revenue from every fee and penalty on this table goes directly to support the State General Fund. Some of our largest revenue sources include state business licensing, which was \$98.6 million in FY 2016; initial and annual list filings, which was \$58.5 million in FY 2016; and securities licensing of sales representatives, which was \$20.7 million in FY 2016.

Page 10 ([Exhibit D](#)) lists the main functions of the Elections Division. As I mentioned previously, I serve as the state's Chief Elections Officer. My Office is responsible for the administration, interpretation, and enforcement of the state's election laws, which can be found in Title 24 of NRS. As Chief Elections Officer, I also administer statewide elections; oversee the funding and implement the requirements of the Help America Vote Act of 2002; register and certify candidates; regulate campaign practices and campaign finance; verify initiative petitions; and certify ballot questions.

Due in part to the national attention Nevada's elections receive and our citizens' increased desire to participate, Nevada's registration totals continue to increase, reaching record numbers in 2016. Page 11 ([Exhibit D](#)) provides a snapshot of voter registration totals by county and by party as of the end of January 2017. You can always find these totals, including additional statistical breakdowns, on the elections section of our website, [www.nvsos.gov](http://www.nvsos.gov). The voter registration totals are updated on a monthly basis. As we sit here this afternoon, 1.5 million voters are actively registered in Nevada. Nevada's rolls also include just under 100,000 registered voters with an inactive status.

The Securities Division regulates investment activity and enforces Nevada's securities laws, which are found in Chapter 90 of NRS. Duties of the Securities Division also include the registration of securities offerings; licensing of investment advisors, broker/dealers, and athletes' agents; performance of compliance inspections and investigations; criminal investigations; and investor education. The Securities Division is the second highest State General Fund revenue-producing division within the Office of the Secretary of State, behind the Commercial Recordings Division. Annual State General Fund revenue collections for the Securities Division totaled roughly \$27 million in FY 2015 and more than \$27.9 million in FY 2016 [page 12, ([Exhibit D](#))].

The Office of the Secretary of State administers SilverFlume, the state business portal. SilverFlume, which is designed to be a first-stop-shop for business-to-government filings and licensing transactions, supports more than 420,000 business transactions annually. The business portal's partners include 12 state agencies, 14 local government agencies, and 47 regulatory agencies. In 2013, SilverFlume won an International Association of Commercial Administrators award for outstanding technical service, and as you can imagine, we are very proud of that [page 13, ([Exhibit D](#))].

The Commercial Recordings Division is responsible for accepting, filing, maintaining, and providing public access to the organizational and amendatory documents of business entities organized under the laws of Nevada. The Division also registers trade names, trademarks, service marks, the rights of publicity, and is responsible for issuing the annual state business license to business entities. Business entities that are required to file with the Commercial Recordings Division include corporations, limited-liability companies (LLCs), limited partnerships, limited-liability partnerships, limited-liability limited partnerships, business trusts, and professional corporations and associations.

The table on page 15 ([Exhibit D](#)) lists the total number of business entities with an active registration status with the Office of the Secretary of State. As you can see from the table, the majority of the business entities on file with the Office are organized as either corporations or LLCs. In total, approximately 309,000 active business entities were on file as of December 31, 2016.

The Notary Division is responsible for appointing, training, and disciplining notaries public; authenticating documents, known as apostilles, to be submitted to foreign countries in accordance with the Hague Convention of October 5, 1961; and maintaining a list of qualified marriage officiants in Nevada who have been licensed by the state's county clerks. The Notary Division also conducts training classes for prospective notaries public, including administration of online notary training; enforces Nevada's notary laws found in Chapter 240 of NRS; and administers the state's digital signature laws. Currently there are over 25,350 registered notaries public serving the residents of Nevada [page 16, ([Exhibit D](#))].

Other programs administered by the Office of the Secretary of State can be seen on page 17 ([Exhibit D](#)). First is the Living Will Lockbox, which serves as free online storage for advanced health care directives such as living wills, durable powers of attorney for health care decisions, and do not resuscitate orders. Once filed with the Living Will Lockbox, these documents can be accessed online by registrants, authorized health care professionals, and family members when medical treatment decisions must be made. Next is the domestic partnership registry. A domestic partnership in Nevada is a civil contract that grants domestic partners the same rights, protections, benefits, responsibilities, obligations, and duties as parties to any other civil contract. The Office of the Secretary of State files and maintains all domestic partnership registrations and terminations. Last is the document preparation service registration program. This program was created by Assembly Bill 74 of the 77th Session and is the newest program within the Office. Document preparation service providers are individuals, excluding licensed attorneys, who provide assistance to clients in certain legal matters. The Office of the Secretary of State registers document preparation service providers, regulates their business practices, receives bonds, investigates violations, and authorizes disciplinary action and other remedies. The program has been operational for approximately 2 1/2 years, and currently 252 document preparation service providers are registered with our Office.

The Secretary of State's Office is involved in a number of initiatives and programs designed to strengthen civic learning and engagement opportunities for students across our state. I have been a member of the Education Commission of the States since 1997, and I currently serve on the Executive Board of the National Center for Learning and Civic Engagement (NCLCE). Last year my office worked with the Clark County School District's Instructional Design and Professional Learning Division to respond to the NCLCE's State Civic Education Policy Gap Analysis Tool to compare "current civic education policy and practices with established evidence-based best practices and competitive benchmarks." The tool is intended to assist state education departments with identifying areas that need strengthening in state standards, with the goal of integrating civic learning across all academic disciplines [page 18, ([Exhibit D](#))].

We supported and participated in the inaugural year of Inspire Nevada in the 2015-2016 school year, and continue our participation this year. Inspire Nevada provides talented staff and volunteer leaders to work with 17- and 18-year-olds as they learn how to channel their leadership skills and community-minded interests in nonpartisan voter registration programs

and targeted civic action projects in their community. I was proud to speak at the Inspire Nevada awards dinner in May in Las Vegas, recognizing schools that achieved the highest percentage of voter registration among their peers [page 18, ([Exhibit D](#))].

The Secretary of State's Office has partnered with the Department of Education to develop the My Service, My Citizenship project, a comprehensive, interactive, cross-curricular program designed to educate all Nevada students about the electoral process in Nevada. As part of that program, students across our state were able to participate in the 2016 Nevada Student Mock Election. The purpose of the mock election is to familiarize students with the voting process, so they gain the knowledge and confidence needed to comfortably participate in every election once they become eligible to register and vote. It is our hope that students will discover not only that their priorities are valued, but also that every vote is a voice heard. My staff and I regularly visit and present to public and private schools across our state, educating students about the duties of the Office of the Secretary of State. We encourage them to talk with their parents about civic issues and the importance of participating in elections [page 18, ([Exhibit D](#))].

This concludes the Office of the Secretary of State's overview presentation. All of the deputies are here and happy to entertain any questions you or the members of the Committees may have.

**Assemblywoman Bustamante Adams:**

I have a question regarding the Business Portal Division functions on page 13 ([Exhibit D](#)). I know in the past some of the entities did not want to participate because they thought including technology into their platform would be too expensive. Can you tell me who is still not participating?

**Scott W. Anderson, Chief Deputy, Office of the Secretary of State:**

Actually, I do not have that information. We have a number of agencies and a number of state and local jurisdictions participating in this on various levels. In some cases, they are unable to participate because of the lack of technology in their office or the difficulty or expense of technology; however, our portal staff is very adept in identifying how to integrate the systems they do have with SilverFlume. We are working with a number of agencies to do this at this time. I can get you that information, which agencies are participating or not.

**Assemblywoman Bustamante Adams:**

Is their information being included? Is it just not in electronic format, or are we not capturing their information at all?

**Scott Anderson:**

The portal works in a number of different ways. In some ways, it can interact directly with the agency's electronic services. It may also be used as a method to deliver documents that

may not actually be going to the electronic systems of the agency, but the agency would be able to print those off and input those into their system. It just depends on how the agency actually uses their systems. We have ways to interact with both types of systems.

**Assemblywoman Bustamante Adams:**

My next question is for Ms. Foley, regarding crowdfunding. I know the federal government passed regulations on crowdfunding that would be allowed. I do not remember the exact terminology, but it would be for people who are not necessarily investors in a certain format. Now that those federal rules apply, have you noticed a difference in crowdfunding within the state?

**Diana J. Foley, Administrator, Securities Division, Office of the Secretary of State:**

We have not really noticed an increase in crowdfunding applications because, as you know, we are pre-empted from registering those particular kinds of offerings. The only way we see them is if we notice they are advertising or if we get a particular customer complaint relating to those matters.

**Assemblyman Flores:**

How much money have you collected in penalties from notaries public and document preparers? I am interested in this data because it will give me a good idea of how many of those violations are being reported to and processed by the Secretary of State's Office to either fine them or give them a letter. Do you have any data on that?

**Scott Anderson:**

I do not have that information with us today. We can get it for you. We do track the penalties for document preparation services and notaries public, and we will get that information for you.

**Assemblyman Flores:**

Does the Secretary of State's Office share information with any other entities? If a federal agency or an entity asked for information, do you share information with them? Do you share information with any other entity or agency in the state? If yes, how does that occur? What is the request process for that information? I am curious to know how information is moved in and out of the Secretary of State's Office.

**Barbara Cegavske:**

I will have Diana Foley respond to you. As our Securities Administrator, she is in charge of our criminal investigators.

**Diana Foley:**

As far as the Securities Division information, there is a lot of sharing between our state agency, other state agencies, and other federal agencies. That sharing occurs in a protected manner. A great deal of our information is confidential by law. If we have an investigation pending and another jurisdiction has a similar investigation pending, we have a process of



exchanging access letters. This enables us to get assurances that the other jurisdiction can maintain the confidentiality of the information we collect. That is the type of confidential sharing we do. There may be other public information that is shared, but in the Securities Division, a lot of the public information we have about our registrants is also available to other state and federal agencies. There is probably some commercial recordings information that can get shared. I do not want to speak for the Commercial Recordings Division, but the public information that Division has can be shared with other agencies as well.

**Scott Anderson:**

Most of the commercial recordings information we receive is public record. We share that information freely upon request, and it is available on our website. There is certain information that is considered confidential, some relating to state business licenses and certain financial information. As far as the business licenses are concerned, we are able to share that information with law enforcement and other agencies without a subpoena. All other confidential information would be required to have a subpoena for us to respond.

**Senator Gansert:**

I was looking at your State General Fund revenue on page 7 ([Exhibit D](#)) and your number of business entities on page 15. While revenue is up substantially, I was interested to know if there was a shift between filings for corporations to LLCs, and what the trend had been over the last five years or so, given the changes in the costs of different types of registration.

**Scott Anderson:**

I believe it was 1991 when the first LLC laws were put into place, and since the LLCs came onboard, they have become the increasingly popular entity of choice. A number of years ago, we saw where LLCs overtook corporations as the entity of choice. With the increase in the state business license fee, we have seen more of a shift and a lot of conversions from corporations to LLCs. I cannot tell you offhand what those numbers are, but we can get that information for you; yes, there has been a shift from corporate entities to LLCs, especially since the increase in the state business license fee.

**Senator Gansert:**

I would be interested to know the count and the dollars. You can see the total revenue was up, but exactly what was driving it would be good information to have.

**Senator Farley:**

To follow up on Senator Gansert's questions, did you see a significant number of licenses not renew? I know in this state we have many corporations and companies that created asset protection schemes. I was curious to see while we had increase in revenue if there was a significant decrease in those LLCs and/or corporations that did not renew because of the business licensing fees.



**Scott Anderson:**

We have seen a relatively modest decrease in the overall number of entities. Right now we have approximately 309,000 business entities on file in active status. What we hear from the registered agent community is, yes, they have entities moving from Nevada. We do not track why they do not renew. There are a number of reasons why an entity might not renew. There have always been a large number of entities that may form a business but may not start the business or succeed in the business. Our numbers indicate there has been some drop-off. Another interesting part is we really do not know how many entities did not come to Nevada because of our fees.

**Chair Neal:**

Are there any additional questions? [There were none.] Thank you for your presentation. Next up is the Nevada Gaming Control Board.

**A.G. Burnett, Chair, Nevada Gaming Control Board:**

I am the chairman of the Nevada Gaming Control Board. I have brought with me the Chief of our Tax and License Division, Frank Streshley. As we discuss taxes and fees, he will become the visible expert.

My presentation is in two parts. It is an overview of the Nevada Gaming Control Board and what we do, and then we will go right into fees, taxes, and revenues generated by the agency. Starting on page 2 ([Exhibit E](#)), we have a two-tiered oversight system for gaming in Nevada, which is run by the Nevada Gaming Control Board and the Nevada Gaming Commission.

The Gaming Control Board consists of three individuals. I am the chairman and Terry Johnson and Shawn R. Reid are members. The Nevada Gaming Commission consists of five individuals. It is chaired by Tony Alamo, M.D., and John T. Moran, Jr., Randolph J. Townsend, Honorable Philip M. Pro, and Deborah J. Fuetsch are the other members. The organizational chart [page 3, ([Exhibit E](#))] shows the Governor heading the three entities. The Gaming Control Board, as previously stated, is the regulatory enforcement body that regulates gaming 24/7 in Nevada. We have 404 employees located in Carson City, Elko, Las Vegas, Laughlin, and Reno. The Gaming Commission has five personnel and they are the part-time policymaking body for gaming regulation in Nevada. They have one employee who is located in Las Vegas. The Gaming Policy Committee is a committee that can be activated by a Nevada Governor in order to look at policy matters affecting the state regarding gaming. Statutorily, that body advises the Gaming Control Board and the Commission if called upon.

I have presented our mission on page 4 ([Exhibit E](#)). This is only a small part of the mission policy our employees follow. We govern Nevada's gaming industry through—and this is a statutory term in NRS 463.0129—"the strict regulation of all persons, locations, practices, associations and activities" related to gaming in Nevada. Our job is to protect the integrity and stability of the gaming industry and all those involved in it. Additionally, we ensure the accurate and timely collection of gaming fees and taxes.

Page 5 ([Exhibit E](#)) shows the breakdown of our employees mentioned earlier. I will begin with a brief overview of the Administration Division, which is really our internal affairs and human resources division. It has a total of 53 employees located in Carson City and Las Vegas. Our Audit Division is mainly located in Las Vegas, with 68 staff and 23 employees located in Reno, for a total of 91. The Enforcement Division has employees located throughout the state because they send people into casinos for inspections, covert operations, and things of that nature. The distribution is 5 in Carson City, 5 in Elko, 84 in Las Vegas, 5 in Laughlin, and 22 in Reno, for a total of 121. The Investigations Division has 51 employees located in Carson City and 34 in Las Vegas, for a total of 85. Our Tax and License Division has offices in Carson City, Las Vegas, and Reno. There are 9 employees in Carson City, 12 in Las Vegas, and 7 in Reno, for a total of 28. We have a Technology Division with 24 employees in Las Vegas and 2 employees in Reno, for a total of 26. The totals are listed at the bottom of the table, showing 404 employees located throughout the state.

I will give you a brief overview of our divisions, beginning on page 6 ([Exhibit E](#)). The executive offices and Administration Division provide administrative and support services to the Board, Commission, and the six divisions in areas such as human resources, financial services, record retention, facility upkeep and maintenance, and training of our employees. Our Audit Division audits the records of Group 1 licensees for compliance with gaming law. Group 1 licensees collect more than \$6.5 million in gross gaming revenue per year. The number is adjusted according to the Consumer Price Index. I think the number right now might actually be \$6.45 million and above in terms of gross gaming revenue, which would lead to an audit by our Audit Division staff. The larger casinos in Nevada that make that amount in gross gaming revenue are subject to audits by the Audit Division.

**Chair Neal:**

Does the Audit Division audit the expired gaming vouchers?

**A.G. Burnett:**

I believe that is actually handled by the Tax and License Division.

**Frank Streshley, Chief, Tax and License Division, Nevada Gaming Control Board:**

That is handled by both the Audit Division and the Tax and License Division. The Tax and License Division collects the tax, depending on if it is a Group 1 or Group 2 licensee. The Audit Division audits the Group 1 licensees. The smaller licensees would have the expired vouchers, and the Tax and License Division would audit those.

**Chair Neal:**

What happens to the vouchers people drop into the water?

**A.G. Burnett:**

I am summarizing here, but the intent of the legislation was that lost or expired vouchers would be collected by the casino, and those monies would essentially escheat back to

the state. Later in the presentation, we can show you some of those numbers. I would imagine the vouchers that are left in the water probably dissipate and are destroyed unless somebody collects them and then works on the actual escheat-back-to-the-state process.

It might be best to skip right to page 8 ([Exhibit E](#)) because we have talked about the Audit Division. If you will give me leave, I will skip to the Tax and License Division because that shows the Group 2 licensees. Those are groups under that \$6.45 million threshold.

The Tax and License Division collects and deposits all gaming taxes, fees, penalties, interest, and fines. They perform compliance reviews of Group 2 licensees. They look at stand-alone manufacturers and distributors of gaming equipment and products. They have an economist and he, along with Chief Streshley, do a lot of work in terms of forecasting gaming taxes in preparation for information that goes to the Economic Forum. Those two gentlemen handle presentations before the Economic Forum, produce a monthly press release for gaming win and percentage fee collections, and create the "Nevada Gaming Abstract."

Going back to page 7 ([Exhibit E](#)), the Enforcement Division, I touched on this a bit earlier. All employees of the Nevada Gaming Control Board, including Board and, I believe, Commission members, are deemed peace officers. The "true" peace officers, those who are certified by the Nevada Commission on Peace Officers' Standards and Training, serving in badge-carrying and gun-carrying capacity, are those in our Enforcement Division. They conduct criminal and regulatory investigations. They arbitrate disputes between a player and a casino. They gather intelligence on organized criminal groups and make recommendations for excluded persons. As you can imagine, this is a fairly large task, and as stated earlier, they are all certified peace officers.

Next is our Investigations Division. They investigate all gaming license and key employee applicants. They make licensing recommendations in the form of a comprehensive summary or report to the Gaming Control Board. They monitor, investigate, and analyze activities of registered, publicly traded corporations and their subsidiaries involved in the gaming industry that have approvals or findings of suitability to do business in the state.

The Technology Division [page 9, ([Exhibit E](#))] reviews and makes recommendations for approval based on the results from independent testing labs of all gaming products, be they gaming devices or associated equipment. They also perform random inspections of gaming devices and associated equipment. Their job is to be in front of technology and all the new trends, which are many. They monitor technology trends and provide guidance to the industry and the Gaming Control Board on emerging technologies. They also provide forensic support to the Board's divisions. An example of that would be looking into potential criminal activity that violates the regulations and statutes and assisting our law enforcement people in obtaining evidence.

**Chair Neal:**

Does the Investigations Division monitor the filed 8-Ks [a U.S. Securities and Exchange Commission form that publicly traded companies must file to announce major events that shareholders should know about] or 10-Ks [a U.S. Securities and Exchange Commission form used by publicly traded companies to file annual financial statements]?

**A.G. Burnett:**

They absolutely do. There is a section within that Division called the corporate security section. That section's task is to monitor all the doings of a publicly traded company, reviewing 10-Ks, 10-Qs [quarterly reports], and S-3 and S-4 registration statements. There is an agent in that section who monitors each and every publicly traded company in the state of Nevada, including the institutional investors we have who may or may not also be publicly traded.

**Chair Neal:**

How many tribal state gaming compacts do we have in Nevada, and is there any kind of revenue associated with those that I should be aware of?

**A.G. Burnett:**

I will speak about that briefly and let Chief Streshley follow up. I want to say offhand there are seven or eight compacts in Nevada. The compacts are negotiated between the Gaming Control Board and the particular tribe wishing to engage in gaming, per federal law, and then signed by the Governor, me, and the tribal chairperson. There is one casino in Nevada I can think of right now, the Avi Casino, that I would say is probably the largest tribal-run casino in the state. Generally the agreement is we either regulate them and charge them for the cost of regulation, or if they choose, they regulate themselves.

**Frank Streshley:**

Currently we have five compacts that are active. Of those five, there are two we collect a fee from to offset our expenses. We go out and do compliance work at those tribal casinos to ensure they are in compliance with the compact that has been agreed upon.

**Chair Neal:**

What is the revenue that is generated from the fee?

**Frank Streshley:**

I believe both of them are at 1 percent of their revenue coming into the state, but we charge the greater of 1 percent or our actual costs. In most cases, the actual expense is less than the 1 percent of their gross revenue.

**A.G. Burnett:**

We do have those numbers. If you would like to see the actual figures, we are happy to provide those to you.

**Chair Neal:**

Yes, I would. Now you can move into the numbers.

**A.G. Burnett:**

On page 10 ([Exhibit E](#)) is Board funding by source. I am sure you are all familiar with the way the Gaming Control Board operates in terms of its State General Fund appropriation and other funds. We are a split agency. We receive certain monies from the Legislature, found in the column on the far left. You can see the breakdown from FY 2010 to FY 2017 of what we have received. The other funds are fees and revenues generated by our investigative activities. These are employee registration fees, investigation fees, Technology Division lab fees, publication sales, training fees, and others like copy charges. In the third column, you can see the total funds for FY 2017 were \$46.7 million, and in the second column, the other funds are shown as a percentage of the total funds.

Page 11 ([Exhibit E](#)) shows the breakdown of the revenues we collected in FY 2016 by geographic location within the state. Clark County, by far, is the leader in that category at 86.4 percent of the total, with Washoe and Elko following. You can see the total revenues collected in FY 2016 at the bottom of that page.

Page 12 ([Exhibit E](#)) shows the collections by category. This is something we look at very closely in terms of trends, where we have been, and where we may be going. Percentage fees for FY 2016 were \$676.2 million, comprising 77.2 percent of the total. Live entertainment tax (LET) revenue was \$111.9 million, 12.8 percent, and then you see a breakdown of the other categories. As we go forward in the presentation, I will go through these taxes so you see what they are and how they are collected, but here is the breakdown. This is something we always monitor closely and find very interesting.

Page 13 ([Exhibit E](#)) shows some trends and interesting numbers from 2005 to present. The blue line is total tax and fee collections. The red line is our annual percentage fees. The green line is the live entertainment tax. The purple line is the annual slot tax.

Page 14 ([Exhibit E](#)) shows revenues collected by type. This is the breakdown of the numbers, the percentages, and the dollar figures we collect. Starting with percentage fees, you can see the breakdown of FY 2015 and FY 2016. There was a total of \$24.7 million in transferable tax credits that were used during FY 2016 that are not reflected in that total. The tax is based on nonrestricted gaming licensees' monthly taxable gaming revenue, or what we refer to sometimes as GGR. The rates are 3.5 percent of the first \$50,000 of taxable revenue, 4.5 percent of the next \$84,000, and 6.75 percent of all revenue exceeding \$134,000.

**Senator Ratti:**

I would like clarification on language. When you say there was a total of \$24.7 million in transferable tax credits used during FY 2016 which are not reflected, are you saying this was revenue that was not received, that would have been received had there not been the tax credit?

**A.G. Burnett:**

I believe that is correct. Chief Streshley can verify that.

**Frank Streshley:**

That is correct. That number of \$676,219,096 is actual cash, or if you want to call it collections. What was due for the year would have included the additional \$24.7 million.

**Chair Neal:**

In those tax rates, how many gaming entities fall within the 3.5 percent and the 4.5 percent? I am assuming the bulk is in the 6.75 percent category.

**A.G. Burnett:**

That is a very interesting question, and I will have Chief Streshley attempt to answer. In Nevada we have 145 nonrestricted Group 1 licensees and 312 nonrestricted Group 2 licensees for a total of 457.

**Frank Streshley:**

Licensees, because they can go seasonal, can go between two to three different rates. On average, in the bottom tier of 3.5 percent, we have 136 locations. The next tier licensees at 4.5 percent is approximately 84 licensees. The remainder are in the final tier of 6.75 percent. The majority of the revenue is taxed under that tier, and if you did an effective tax rate for FY 2016, I believe it is approximately 6.61 percent.

**Assemblywoman Spiegel:**

Could you clarify what you count as revenue? For example, take a slot machine. Is it counted every time someone puts 25 cents in as 25 cents for revenue, or is it counted when the customer cashes out?

**Frank Streshley:**

We have very strict rules for the internal controls. The revenue is not counted until they physically—as in the case of a slot machine or a table—pull the box out that holds all the money that was deposited. There are procedures for counting that money in back of house. It is not until then, when the money is counted and verified, that it is included as taxable revenue.

**Assemblywoman Cohen:**

Are there any licensees that would be considered small businesses, or is it all larger?

**A.G. Burnett:**

We have many small businesses. There is a category of gaming licensee that is called a restricted gaming license, and that is for 15 or fewer slot machines [issued for the operation of not more than 15 slot machines and no other games]. These includes your bars, taverns, convenience stores, liquor stores, and those types.

**Assemblywoman Cohen:**

This is just my perception that those are still part of businesses that are chains. How many of those are actually small, as opposed to one of the chain bars that has a small number of machines?

**A.G. Burnett:**

Some of the restricted locations are chains and some are stand-alone. Many of the licensing activities we do for restricted licenses are, for example, 7-Elevens. Multiple 7-Eleven locations may be owned by one person or entity; however, some are owned by just one person. We do see a lot of mom-and-pop businesses such as bars and taverns, convenience stores, family owners, and privately held LLCs or corporations. To add to that, going outside of the restricted gaming category, I would say there are quite a number of other types of licensed entities in other types of gaming such as small companies that are manufacturing gaming products that are privately held with only a few number of employees. We have service providers, in relation to Internet gaming activity, that are small businesses and things of that nature.

Next is the live entertainment tax (LET), on page 15 ([Exhibit E](#)). During the 78th Legislative Session, the tax rate changed from 10 percent and 5 percent to 9 percent on admission charges only. I will not go into too much detail on this as I know you are all very familiar with it. In FY 2015, the collections were \$130.8 million. In FY 2016, the collections were roughly \$112 million. I will defer any questions to Mr. Guindon, whom I consider the world's biggest expert on the LET at this point.

Page 16 ([Exhibit E](#)) shows the breakdown of the quarterly nonrestricted slot fee and the restricted slot fee collections. There are slot fees for nonrestricted licenses and restricted licenses. The payment for the nonrestricted fee is based on a quarterly fee of \$20 per machine. For a restricted license, it is based upon the number of machines a restricted location operates each quarter, paying \$81 per slot machine for the operation of one to five machines, and payment of \$141 per machine in excess of five machines. They can only go up to a maximum of 15 in that category.

Page 17 ([Exhibit E](#)) starts off with our quarterly nonrestricted game fee collections. This is the number of games, such as table games, that a nonrestricted licensee operates each quarter. You can see the breakdown in the numbers for FY 2015 and FY 2016 there. In addition, there is an advanced license fee. After a licensee is newly minted and approved to being an operation in Nevada, after their first full month of operations, they have to pay an advanced license fee. This is equal to three times the amount of percentage fees owed for that month.



Next is the manufacturer and distributor license fees [page 18, ([Exhibit E](#))]. Those are charged to companies that produce gaming equipment, such as slot machines or table games. There is an annual fee of \$1,000 for manufacturers of those types of products and \$500 for distributors. There is an annual fee of \$500 for a slot route operator, which is an entity that is not able to be the owner or operator of the primary location but is granted the right to place slot machines in that location and share in revenue with the owner. A good example of that would be a 7-Eleven. We have slot route operators who can place machines in a 7-Eleven or other convenience store, and they can share in profits with the owner, or alternatively, the owner of that location can choose to operate the machine himself or herself.

There is an annual slot tax, based on an annual fee of \$250 per slot machine, paid by all licensees. The first \$5 million goes directly to the Higher Education Capital Construction fund, 20 percent of the tax goes to the Special Higher Education Capital Construction fund, and the remainder goes to the State Distributive School Account. You can see the collections on page 19 ([Exhibit E](#)) for FY 2015 and FY 2016.

There is an annual games fee based on the number of games a nonrestricted licensee is operating. Collections are earmarked and split equally between the 17 counties in the state. In FY 2015, the collections were about \$2.5 million, and in FY 2016, the collections were about \$2.4 million [page 20, ([Exhibit E](#))].

The expired slot machine wagering vouchers are described on page 21 ([Exhibit E](#)). In FY 2015, we had \$8.3 million in collections and in FY 2016, we had \$8.7 million in collections. Licensees are required to remit 75 percent of the value of an unredeemed slot machine wagering voucher on a quarterly basis.

On page 22 ([Exhibit E](#)), we have operator of interactive gaming licenses, with \$500,000 coming in for FY 2015, and \$500,000 coming in for FY 2016. That is the fee for a two-year license. The annual fee thereafter is \$250,000. If you are a manufacturer of an interactive gaming system, the initial fee for you is \$125,000, and that is for a one-year license. The annual fee thereafter is \$25,000. There is an interactive gaming service provider license and gaming service provider license fee of \$1,000 [page 23, ([Exhibit E](#))].

We included pages 24 and 25 ([Exhibit E](#)) because we have submitted this information to various committees over the years. I will not go through it in too much detail, but this is a breakdown of some of the changes we have experienced from 1991 to present. Our contact information is on page 26 ([Exhibit E](#)). I am happy to entertain any questions you may have now, or please contact us at any time after this hearing.

**Assemblywoman Bustamante Adams:**

Have the changes we made to the LET impacted your revenue stream?



**A.G. Burnett:**

The task for collecting that revenue really shifted over to the Department of Taxation, more so than us, so in that sense I would say, yes.

**Frank Streshley:**

I can add a little bit to that. Prior to the change, approximately 20 percent of our LET revenue came from food and beverages, and that tax was eliminated. It became a charge just on admission. We picked up a little bit on the nightclubs but not enough to offset that 20 percent that we were collecting when the tax was applied to any food or beverages purchased in an entertainment venue.

**Chair Neal:**

On page 13 ([Exhibit E](#)), looking at the total tax and fee collections, a couple of them are going down. The only one that is pretty much stable is the annual slot tax. We have heard a lot of comments about 43 million visitors coming to the state. Why is there a reduction in the total tax fee collections? Is it because of the removal of the 20 percent tax on food and beverages? Is that why it is dropping off?

**A.G. Burnett:**

I do not know if we can necessarily attribute it to that. What we are seeing now is a leveling off in terms of those types of collections. We are seeing a high influx of visitors to the state. I think there were 47 million last year, primarily coming to the Las Vegas Strip. The revenues we are seeing are somewhat flat on the gaming side although I think they are improving a bit. The numbers are looking good, but they are increasing in terms of other revenues that the gaming companies are bringing in: food and beverages, entertainment, things of that nature.

**Chair Neal:**

What is the number for food and beverages? I know there has been a serious cultural shift in terms of what folks come here for, the high-end restaurants, so what is that number?

**Frank Streshley:**

I do not have those numbers in front of me. One of the trends I think will help here is we have seen, year after year, the percentage of total revenue for Strip properties or throughout the state, the percentage of revenue to total revenue has declined every year. Fifteen years ago, it was probably 50 percent. Now it is down to around 36 to 37 percent of total revenue on the Strip coming from gaming, where again, 15 years ago, it was probably 50 percent.

**Chair Neal:**

What is the time frame they have to turn in expired slot machine wagering vouchers?

**Frank Streshley:**

The legislation allowed up to six months, but it also allowed us to put in regulation covering either a specific period or a time frame that the Nevada Gaming Commission approved. This allowed the licensee to do it within six months. We do have some licensees doing it after 30 days and some licensees all the way out to six months.

**A.G. Burnett:**

I have been remiss. I failed to introduce Jaime Black. She is an attorney with the Gaming Control Board, a Senior Research Specialist.

**Chair Neal:**

Thank you for your presentation. We appreciate your time. I would like to open the meeting for public comment.

**Patricia Jesinoski, Private Citizen, Henderson, Nevada:**

I am speaking in opposition to Senate Joint Resolution 13 of the 78th Session and Assembly Bill 43. The increase in property taxes to the large senior citizen base in the Las Vegas Valley will force seniors out of their homes due to the inability to pay for their increased property tax. If they are forced into rental properties, they will experience increased rent monthly due to their landlord's increased property taxes.

While working with the President to increase more permanent full-time jobs in each state, increasing manufacturing companies in the United States, increasing independent businesses in the United States, Nevada will fail to bring industry to Nevada. These companies look at cost of living, housing, and schools to attract employees. Increasing property taxes up to 15 percent will not bring more jobs to Nevada.

A couple of years ago, the president of a retail association suggested real estate sellers go outside the country to find buyers for preexisting homes. With great success, this now has a majority of those homes sold, rented out by owners, sitting empty, or buyers living in them. That led to the start of individual home building, recreating or bringing in construction workers, electricians, and plumbers who have been laid off for years.

With the increase of up to 15 percent of real estate taxes, we will experience a slowdown, or a halt, to development. Real estate tax increases to the developer on bare property will increase the base lot price to the homeowner, at the end, increasing the yearly cost of living in a home. As the Legislature continues to increase real estate taxes, it also makes home ownership less affordable to new home buyers. So now we are removing seniors, who have their homes paid for, out of their homes. We remove the first-time homebuyers. We have left foreign investors owning homes in the Las Vegas Valley.

I would like to see the continual increase in full-time employment with benefits in this state, which can continue with the President's focus on getting Americans back to work and

prosperous again. This can continue if we do not pass S.J.R. 13 of the 78th Session and A.B. 43 to increase property taxes. Passing S.J.R. 13 of the 78th Session and A.B. 43 will only increase industry leaving the state, the same way they left California for the greener pastures in Nevada.

In 2000, I moved to Nevada from Minnesota because of the lower property taxes and no state income tax. The Legislature's continual move to increase all possible taxes in this state will not keep people, jobs, or industries here. The Secretary of State's presentation just talked of the number of businesses no longer in Nevada because of the increase in the business licensing fees. Thank you for considering a no vote on S.J.R. 13 of the 78th Session and A.B. 43. We need to retain people and business in this state [read from ([Exhibit F](#))].

**Chair Neal:**

Is there anyone else for public comment? I am limiting your time to about three minutes.

**Bonnie McDaniel, Private Citizen, Las Vegas, Nevada:**

I am a 50-plus-year resident of Las Vegas. In looking at S.J.R. 13 of the 78th Session, if we just take the 1.25 percent of the cash value of a house, if that house is worth \$150,000, currently the taxes on that house in Las Vegas are about \$780 per year, or \$192 and change per quarter. With the increase to the cash value of 1.25 percent, the taxes go up to \$1,875, or \$469 per quarter. With many senior citizens having paid for these houses for years, living on very low incomes, sometimes as little as \$800 per month, that is over an \$1,100 per year increase in taxes. If it goes up to \$1,875, that is over two full months of income for these people. They cannot afford that. That would immediately throw them onto the welfare rolls in Nevada. They would be kicked out of their houses because Nevada wants to collect more money from these poor seniors. There are a lot of them. I know them. I am over 70 years old myself, and there are a lot of them that will be living on the welfare rolls. If we want to increase welfare, food stamps, Temporary Assistance for Needy Families, and all the garbage we are putting out, that is a quick way to do it. I urge you to vote no on S.J.R. 13 of the 78th Session and A.B. 43 [read from ([Exhibit G](#))].

Assembly Committee on Taxation  
Senate Committee on Revenue and Economic Development  
February 9, 2017  
Page 28

**Chair Neal:**

Is there anyone else in Las Vegas for public comment? [There was no one.] We are adjourned [at 5:45 p.m.].

RESPECTFULLY SUBMITTED:

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Gina Hall  
Committee Secretary

APPROVED BY:

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Assemblywoman Dina Neal, Chair

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

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Senator Julia Ratti, Chair

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

## EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is a copy of a PowerPoint presentation titled "Department of Taxation," dated February 9, 2017, presented by Deonne E. Contine, Executive Director, Department of Taxation.

[Exhibit D](#) is a copy of a PowerPoint presentation titled "Office of the Secretary of State, Office Overview," presented by Barbara K. Cegavske, Secretary of State, Office of the Secretary of State.

[Exhibit E](#) is a copy of a PowerPoint presentation titled "Nevada Gaming Control Board, Agency and Revenue Overview," dated February 9, 2017, presented by A.G. Burnett, Chairman, Nevada Gaming Control Board.

[Exhibit F](#) is written testimony, dated February 9, 2017, presented by Patricia Jesinoski, Private Citizen, Henderson, Nevada, in opposition to Senate Joint Resolution 13 and Assembly Bill 43.

[Exhibit G](#) is written testimony, dated February 9, 2017, presented by Bonnie McDaniel, Private Citizen, Las Vegas, Nevada, in opposition to Senate Joint Resolution 13 and Assembly Bill 43.