

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-ninth Session
May 9, 2017**

The Senate Committee on Revenue and Economic Development was called to order by Chair Julia Ratti at 5:04 p.m. on Tuesday, May 9, 2017, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

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

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Tina Nguyen, Committee Manager
Lex Thompson, Committee Secretary
Colleen Lennox, Committee Secretary

CHAIR RATTI:

I call this meeting to order at 5:04 p.m. Assembly Bill (A.B.) 137 has been pulled from the Agenda. I will open the work session on Senate Bill (S.B.) 487.

ASSEMBLY BILL 137 (1st Reprint): Revises provisions relating to the insurance premium tax. (BDR 32-68)

SENATE BILL 487: Imposes an excise tax on sales of marijuana and related products by a retail marijuana store. (BDR 32-818)

Senate Bill 487 was started in an effort to take numerous legislative proposals specifically related to recreational marijuana revenue and pull them into one framework so an efficient, effective taxation system which maximizes efficiency can be built. It is important to ensure the new taxation system is streamlined to bring the most revenue to services, schools and other recipient programs funded by marijuana revenue. It is also important to create a program that makes sense for this emerging industry and for that program to be effective in the field.

The main purpose of S.B. 487 is to build a streamlined, parallel taxation system. This means we match up how medical marijuana is taxed with how recreational marijuana is taxed before they hit retail sale, at which point they can diverge.

I would like to give a reminder of why a streamlined, parallel taxation system is important. If we do not do that, then it becomes necessary to barcode individual plants, which then requires tracking of the individual plant in individual products through the production cycle. This approach would require two separate taxation systems. I have come to believe two taxation systems would put medical marijuana and the medical marijuana industry at risk because of the anticipated enthusiasm for recreational marijuana. There are some concerns about whether the medical marijuana industry will survive.

A streamlined and parallel system allows a plant to go all the way through the process until the end. Then, only a question of taxation differentiates that plant at retail sale. A streamlined, parallel taxation system can be more affordable for medical customers and will maximize taxation for recreational marijuana that is critical to keep the medical industry in place. Most of the time and effort spent on creation of this new version, Proposed Amendment 4490 in the work session document, ([Exhibit C](#)) was focused on a parallel, streamlined taxation system.

I will walk through Proposed Amendment 4490. First, S.B. 487 makes tax rates identical for both recreational and medical marijuana until they reach retail sale. There is a 15 percent wholesale tax for medical. The 2 percent tax for medical at cultivation, 2 percent tax for medical at production and 2 percent tax for medical at retail will be removed. Retail sale is where we accommodate and support Governor Brian Sandoval's proposal.

Retail sale is where the Governor's budget proposes to add a 10 percent excise tax with the resulting revenue dedicated to the public school system through the Distributive School Account. There is an additional 2 percent retail excise

tax on recreational marijuana. This tax is specifically intended to fund impacts of substance use on our communities through the Grants Management Advisory Committee process. That is the same way Nevada's tobacco settlement, the Fund for a Healthy Nevada, and some *Nevada Revised Statutes* Title 20 dollars are distributed.

The intention is to keep the tax system efficient and make use of the existing structure. That way, the State does not have to dedicate a lot of resources to build infrastructure to place marijuana revenues where they are needed most. The Youth and Families Account was built based upon recommendations from the "Governor's task force, specifically the public safety and community subcommittee" about what is needed to address impacts in Nevada's communities. That is the general concept.

There are a couple of other pieces that are important to note. In the Governor's budget, a \$10 million allocation is based upon Question No. 2 which has language that says the Department of Taxation will receive administrative dollars and local governments will receive dollars for the cost of implementation.

If the goal is to keep a streamlined, parallel taxation system, then the \$10 million needs to be spread over both medical and recreational. To that end, Proposed Amendment 4490 keeps the same dollar amount as the Governor's budget but spreads it over both medical and recreational. The first \$5 million per year from those funding sources will go to the local government costs for the Department of Taxation to administer. This makes the system parallel without increasing the dollar amount going to that piece.

Multiple proposals on the table address making sure the overall taxation rate does not exceed a level that would encourage black market sales. A lot of work was done on that because if the overall tax rate is to be examined, then business license fees for local governments, sales tax, the wholesale 15 percent and the retail excise tax must also be examined. To get the effective tax rate, all of those must be factored in. Through much work, a number was agreed upon that achieves both consistency across jurisdictions and places the effective tax rate into a space that would not encourage the black market. There is a 3 percent cap on local government business license fees included in this bill. To be clear, that 3 percent cap goes across the spectrum, so that would be a 3 percent cap on cultivation, a 3 percent cap on production and a 3 percent cap on retail. Cumulatively, it is more than a 5 percent retail excise

tax, which was discussed in the first hearing. All of those different levels add up and they create a higher effective tax rate. That is where that number came from.

There is a piece in this bill from an amendment that was a compromise position between local government and the marijuana industry to make sure the regulatory framework is consistent across the State, leaving the things appropriate for local governments to regulate to local governments. The things appropriate for the State to regulate were left to the State.

That is a high-level overview of everything we tackled. I will turn it over to Mr. Reel to walk you through the work session document, [Exhibit C](#).

JOE REEL (Deputy Fiscal Analyst):

I have outlined in the work session document what you would typically see in one of the bill explanations we provide for the Committee. I will now read the work session document, [Exhibit C](#).

SENATOR FORD MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 487.

SENATOR FARLEY SECONDED THE MOTION.

THE MOTION PASSED. (SENATORS GANSERT, KIECKHEFER AND
ROBERSON VOTED NO.)

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CHAIR RATTI:

I open the work session for A.B. 170.

ASSEMBLY BILL 170 (1st Reprint): Revises the requirement for the Office of Economic Development to submit quarterly reports relating to certain economic development incentives. (BDR 32-302)

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MR. REEL:

I will read the work session document for A.B. 170 ([Exhibit D](#)).

SENATOR GANSERT MOVED TO DO PASS A.B. 170.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR RATTI:
This meeting is adjourned at 5:25 p.m.

RESPECTFULLY SUBMITTED:

Colleen Lennox,
Committee Secretary

APPROVED BY:

Senator Julia Ratti, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	2		Attendance Roster
S.B. 487	C	70	Joe Reel	Work Session Document
A.B. 170	D	1	Joe Reel	Work Session Document