

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

**Eightieth Session
May 30, 2019**

The Senate Committee on Revenue and Economic Development was called to order by Chair Marilyn Dondero Loop at 3:03 p.m. on Thursday, May 30, 2019, 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 Marilyn Dondero Loop, Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Heidi Seevers Gansert

COMMITTEE MEMBERS ABSENT:

Senator Julia Ratti, Vice Chair (Excused)

GUEST LEGISLATORS PRESENT:

Assemblywoman Dina Neal, Assembly District No. 7

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Barbara Williams, Committee Secretary

OTHERS PRESENT:

Melanie Young, Executive Director, Department of Taxation
Michael Hackett, Nevada Public Health Association; Nevada Tobacco Prevention Coalition
Mendy Elliott, Reno Sparks Chamber of Commerce
Nick Vassiliadis, Advantage Capital Partners

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Mark Scheffel, Senior Vice President, Advantage Capital Partners
Paul Moradkhan, Las Vegas Metro Chamber of Commerce
Ray Bacon, Nevada Manufacturers Association
Terry J. Reynolds, Deputy Director of Administration, Department of Business and Industry
Michael Brown, Director, Department of Business and Industry
Karen Schnog, Department of Business and Industry

CHAIR DONDERO LOOP:

I will open the hearing on Assembly Bill (A.B.) 535.

ASSEMBLY BILL 535 (1st Reprint): Revises provisions relating to cigarettes and other tobacco products. (BDR 32-1242)

MELANIE YOUNG (Executive Director, Department of Taxation):

Assembly Bill 535 increases or establishes fees for tobacco and other tobacco products (OTP). The Department of Taxation is responsible for tobacco enforcement of *Nevada Revised Statutes* (NRS) 370, NRS 370A and the Master Settlement Agreement for Tobacco (MSA).

The only licensing fee currently levied is for a Cigarette Wholesale Dealers License of \$150, which has been in place since 1977. The bill proposes increasing the fee to \$650. Additionally, this bill adds new licensing fees for OTP wholesale dealers of \$650, cigarette manufacturers of \$1,000, and cigarette and OTP retail dealers of \$50. The fees will be used for the enforcement of the tobacco and OTP statutes and reduce reliance on the MSA funds. If the request is approved, the funding the Department receives from MSA funds is reduced to \$45,001 in fiscal year (FY) 2020 and eliminated in FY 2021.

The Department surveyed 25 states to develop the rates in A.B. 535, as well as looking at liquor and marijuana licensing. The estimated revenue from these licensing fees is \$364,900 annually. This request was approved on May 17 in the Department's budget closing during the joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means.

The bill in its first reprint has had several sections removed. Some of that was due to Senate Bill (S.B.) 81.

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SENATE BILL 81 (1st Reprint): Revises various provisions relating to tobacco products. (BDR 32-190)

CHAIR DONDERO LOOP:

Do I understand correctly that A.B. 535 simply addresses licensing fees for tobacco and OTP?

Ms. YOUNG:

That is correct. Because many of these businesses pay no licensing fees, the Department expects a robust licensing system will help it gather and manage information as to who the players are in the wholesale, distribution and retail sales of tobacco and OTP. Businesses apply for licenses, but since there is no fee, they go in and out of business regularly. This makes it difficult for us to know which operators are legitimate.

We have found that OTP wholesale dealers that have had their licenses revoked in another state often come to Nevada because the license is free. A free license gives the impression that Nevada has minimal enforcement provisions.

SENATOR KIECKHEFER:

Please repeat the revenue projections.

Ms. YOUNG:

We estimate \$364,900 annually from licensees.

SENATOR KIECKHEFER:

Is that the delta between this bill and S.B. 81?

Ms. YOUNG:

Senate Bill 81 was a policy-related bill, and A.B. 535 is the revenue side.

SENATOR KIECKHEFER:

In S.B. 81, you maintained the \$150 for the wholesale dealers. Does this bill just add the new licensing categories?

Ms. YOUNG:

That is correct.

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SENATOR KIECKHEFER:

Do you know how many businesses there are in each of these categories?

Ms. YOUNG:

We have approximately 30 cigarette manufacturers, 46 cigarette wholesalers, 155 OTP wholesalers and 3,100 retailers.

SENATOR KIECKHEFER:

Is a retailer licensed by location? Is every convenience store in the same ownership group an individual licensee?

Ms. YOUNG:

That is correct.

SENATOR SEEVERS GANSERT:

It sounds like the MSA is subsidizing the licensing and A.B. 535 will eliminate the subsidy after the second year.

Ms. YOUNG:

A couple of our tobacco enforcement positions are subsidized by MSA funds. In the first year, the subsidy is decreased to \$45,000 and eliminated completely in the second year.

CHAIR DONDERO LOOP:

Does anyone keep track of this right now?

Ms. YOUNG:

The Department does track the licensees, but without a fee, we get many applicants who go in and out of business quickly. By having fees for licenses, we expect to know who is operating legitimately.

MICHAEL HACKETT (Nevada Public Health Association; Nevada Tobacco Prevention Coalition):

We are in full support of A.B. 535.

CHAIR DONDERO LOOP:

I will close the hearing on A.B. 535 and open the hearing on A.B. 446.

ASSEMBLY BILL 446 (1st Reprint): Revises the Nevada New Markets Jobs Act.
(BDR 18-1100)

ASSEMBLYWOMAN DINA NEAL (Assembly District No. 7):
Assembly Bill 446 revises the Nevada New Markets Jobs Act (NMJA).

Section 1 deals with qualified community development entities (CDE). A CDE is the entity that actually makes the investment in a qualified low-income community business. Section 1, subsection 1 allows for two CDEs to partner together in order to make an investment work.

Section 2 is existing law that lays out what defines a qualified business for investment. Section 2, subsection 3 delineates businesses that cannot have the qualified premium tax applied to them for an investment. Section 2, subsection 4 describes how they may receive or waive the abatement and the written notice requirement from the Governor's Office of Economic Development (GOED).

Section 2.5, subsection 5 lays out the minimum investment of \$8 million. The maximum is \$200 million in qualified equity investments. Section 2.7 lays out the requirement for a CDE to allow a business in which the qualified low-income investment is made to refinance. When a CDE gets involved with a qualified business, there is a risk. The rate of the loan may be high. I wanted to enable the business, after four years when the business has stabilized, to have a conversation about reducing the rate.

Section 3 defines the terms "cash proceeds" and "proceeds." The Act becomes effective on July 1.

SENATOR KIECKHEFER:

The way I read the refinance provision is the business has to be allowed to apply, but there is no requirement for the CDE to refinance.

ASSEMBLYWOMAN NEAL:

That is accurate.

SENATOR KIECKHEFER:

Are the provisions in section 2, subsection 4 regarding businesses with abatements being allowed to waive them to avoid stacking of potential tax credits?

ASSEMBLYWOMAN NEAL:

That is correct. You cannot have a GOED abatement and receive an investment from a CDE under the NMJA.

SENATOR SEEVERS GANSERT:

Can you stack with federal tax credits?

ASSEMBLYWOMAN NEAL:

Yes, you can. Let me sum up the bill. Partnerships are available between two or more CDEs. A CDE can stack State and federal credits. Although the original bill did not prohibit it, I wanted to make it clear that it can be done for coherence if and when the NMJA may come up for renewal.

The other provision was, as I said, to provide clarity that a CDE cannot participate in both a GOED abatement and the NMJA.

SENATOR KIECKHEFER:

This bill is a reauthorization bill. There was \$200 million in qualified equity investments when it was approved in 2013. Have the majority of those been issued and invested? Assembly Bill 446 allows for the extension of another \$200 million. Is there an expiration date on the reauthorization?

ASSEMBLYWOMAN NEAL:

The last set of existing credits will come out in 2020. Then there will be a two-year lag. Once a CDE has found a qualified equity investment, it cannot trigger any insurance premium tax credits for 2 years, and then it is at 12 percent. After 2 more years, it reduces to 11 percent. The maximum is 58 percent, and there is a 7-year window for the whole program.

SENATOR KIECKHEFER:

None of these credits will hit the State's revenue for two years, correct? We are not impacting fiscal liability for the upcoming biennium.

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ASSEMBLYWOMAN NEAL:
That is correct.

SENATOR KIECKHEFER:
I have met with a couple of businesses invested through the NMJA, and they have certainly sung its praises. Since you are looking for reauthorization, I assume you have seen it function effectively in southern Nevada as well.

ASSEMBLYWOMAN NEAL:
You will hear some great statistics from the Department of Business and Industry (B&I). There have been 26 businesses helped across the State. The language of the bill has specified census tracts for the development. It was meant to benefit low-income communities that need the investment.

The bill has proven successful as you can see from the program overview, the Nevada New Markets Jobs Act ([Exhibit C](#)). A diverse set of businesses have been helped by this program.

CHAIR DONDERO LOOP:
Please address the refinance option in section 2.7, subsection 3.

ASSEMBLYWOMAN NEAL:
The CDE must allow the business to apply for a refinance. It is permissive. If the business is doing well, I want to allow it to apply to refinance at a lower rate and keep more of its profits.

I hope that B&I will have a conversation with the 22 businesses already in the program to see if they find themselves needing relief from high rates.

MENDY ELLIOTT (Reno Sparks Chamber of Commerce):
The Chamber has seen businesses in the northern Nevada market benefit from the utilization of these tax credits. One is the Lear Theater, located on the river in Reno. Organizers have utilized these tax credits as well as the federal tax credits, and the stacking has enabled the organization to work to bring the beautiful architecture of the old church to life.

The Reno Sparks Chamber of Commerce is in support of A.B. 446.

NICK VASSILIADIS (Advantage Capital Partners):

It has been a positive six years since this program first went into effect. When you hear from B&I, you will understand this program does work, has worked and will continue to work.

MARK SCHEFFEL (Senior Vice President, Advantage Capital Partners):

I am here in support of A.B. 446. We are one of the CDEs that has participated in the NMJA program. In the interest of time, I have prepared remarks along with letters from several investee companies in support ([Exhibit D](#)).

I would tell one story that will serve as an example. A food manufacturing company outside of Las Vegas received almost \$2 million as one of our investments under this program. I have visited the facility and seen the shiny equipment the funds purchased. I was gratified by the story of a young lady, Yurelis Castro, who had started working there five years prior in a part-time job with her sister in order to purchase a Mother's Day gift. It has now been five years; she has had three promotions and enjoys a better quality of life. Her story is detailed in her letter on page 6 of [Exhibit D](#). This program puts much-needed capital in areas where it would not normally flow.

PAUL MORADKHAN (Las Vegas Metro Chamber of Commerce):

The Chamber is in full support of A.B. 446. This program is successful, and the investee businesses have created jobs in areas that needed them. We are in favor of the restrictions on double-dipping State tax credits. The option for refinancing is also important. We hear from members of small minority-owned businesses that their No. 1 concern is access to capital.

RAY BACON (Nevada Manufacturers Association):

We agree with Mr. Moradkhan.

TERRY J. REYNOLDS (Deputy Director of Administration, Department of Business and Industry):

I have been involved with the program since November 2013. It has been very successful as can be seen in the [Exhibit C](#) overview. The \$116 million State tax credits allocated in 2013 have brought in \$74 million in New Markets Tax Credits on the federal side. To date, there have been 929 jobs created and 1,444 jobs retained in low-income areas by the infusion of investment dollars.

The federal New Markets Tax Credits were recently reauthorized for approximately \$300 billion.

I will quickly go over some of the program's success stories in [Exhibit C](#). Northern Nevada HOPES in Reno, on page 13, serves several thousand patients a month in a community that would not otherwise be able to access health care. It was able to take advantage of both State and federal NMJA tax credits. It is looking to expand and is looking forward to this reauthorization.

On page 14, the Nevada Donor Network in Las Vegas pairs people who need organs with donors. In a little over four years, it has become the world's largest donor network program. It transformed an old car dealership on East Sahara Avenue into a state-of-the-art facility.

Nevada Nanotech Systems in Sparks has done well. It has partnered with the University of Nevada, Reno, and produces microsensors that can be put into clothes for mining and hazmat.

Another successful example is PLI Card Marketing Solutions in North Las Vegas. It has captured the market in plastic cards used as gift cards, gaming cards and hotel key cards.

We started with 22 businesses. We lost two but recaptured the funds from one of them. Along the way, we gained four more. Today, we have 24 ongoing businesses. The CDEs we partner with have reinvested in new and existing businesses.

MICHAEL BROWN (Director, Department of Business and Industry):

The businesses helped by this program are not the type of businesses that attract angel investors hoping to discover the next big technology. We appreciate the enthusiasm the sponsor brought to working on this bill.

KAREN SCHNOG (Department of Business and Industry):

For each \$1 tax credit this program received, it has produced \$11 in economic impact. It is one of the strongest economic development programs.

CHAIR DONDERO LOOP:

How does an industry like PLI make a decision to do business in Nevada? Is it based on the credits it received?

MR. REYNOLDS:

Several factors influence a company's decision. The business has to locate in a low-income, high-poverty census tract. The availability of existing facilities and infrastructure can make it attractive to get the business up and running quickly so it can start paying back the loan.

MS. SCHNOG:

In the case of PLI, a previous card manufacturing business which was not doing well during the Great Recession had laid off 240 employees. When PLI looked at that business, it was considering purchasing the equipment and locating it at its headquarters back East. Because of the NMJA program, it established itself in Nevada and rehired the laid-off employees as employee-owners.

CHAIR DONDERO LOOP:

Can an existing business in Las Vegas relocate into a census tract and take advantage of these credits, or does it only apply to startups?

MS. SCHNOG:

There is no requirement that it be a new business. I have not seen businesses move into a low-income area simply to take advantage of the tax credits. I have seen existing businesses use the tax credits to enlarge and grow. It would not be economically advantageous to relocate solely for the purpose of receiving tax credits. The purpose of the credits is to fill funding gaps.

SENATOR PARKS:

I understand the Eclipse Theater in Las Vegas had run into some financial difficulties. Can you address that?

ASSEMBLYWOMAN NEAL:

The problems facing the Eclipse Theater are because of the way the loan was structured. There were several loans, and the first was a private investor with an excessively high rate who was trying to call the loan. The CDE was the second on the loan and was not the problem.

The Eclipse Theater has great cash flow, but the loan payments are exorbitant. Advantage Capital is trying to get another CDE to step in with a lower rate. We have successfully delayed the foreclosure of the property, and the Eclipse is now in conversations with the private investor to work out a different arrangement that will allow the Theater to succeed.

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The NMJA is a great program. We have focused on entrepreneurship, small businesses and medium-sized businesses. We are impacting communities with new jobs and business development which is a powerful tool when you go into a low-income community. The program has changed the landscape in some communities, building the tax base and making a community successful and viable. I urge your support for A.B. 446.

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CHAIR DONDERO LOOP:

Seeing no further business, this meeting is adjourned at 3:49 p.m.

RESPECTFULLY SUBMITTED:

Barbara Williams,
Committee Secretary

APPROVED BY:

Senator Marilyn Dondero Loop, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	3		Attendance Roster
A.B. 446	C	24	Department of Business and Industry	Nevada New Markets Jobs Act Tax Credit Program
A.B. 446	D	23	Mark Scheffel / Advantage Capital Partners	Written Testimony