MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT

Eightieth Session
April 4, 2019

The Senate Committee on Revenue and Economic Development was called to order by Chair Marilyn Dondero Loop at 1:55 p.m. on Thursday, April 4, 2019, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 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 Julia Ratti, Vice Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Heidi Seevers Gansert

GUEST LEGISLATORS PRESENT:

Senator Joseph P. Hardy, Senatorial District No. 12
Senator James A. Settelmeyer, Senatorial District No. 17

STAFF MEMBERS PRESENT:

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

OTHERS PRESENT:

Peter D. Krueger, Nevada Petroleum Marketers & Convenience Store Association
Martin Knauss, Laughlin Economic Development Corporation
James Maniaci
Robert Bilbray, Laughlin Economic Development Corporation
Alex Ortiz, Clark County
Dagny Stapleton, Nevada Association of Counties

Joanna Jacob, Nevada Contractors Association
Bill Wellman, Nevada Economic Development Coalition
Dawn Lietz, Administrator, Motor Carrier Division, Department of Motor Vehicles
Paul Enos, Nevada Trucking Association
Michael Hillerby, Bently Heritage L.L.C.
Carlo Luri, Bently Heritage L.L.C.
Jesse Wadhams, Bently Heritage L.L.C.
Mike Draper, Frey Ranch Estate Distillery; Churchill Vineyards, LLC
Alfredo Alonso, Southern Glazer's Wine and Spirits, LLC
Tom Adams, President, Seven Troughs Distilling Company, LLC
Steve Thaler
Mitchell Roach, United Veterans Legislative Council
Mary Walker, Carson City; Douglas County; Lyon County; Storey County
Jana Seddon, Nevada Assessors' Association
Darrol Brown, United Veterans Legislative Council
Charles Santo
Aspen Kieckhefer
Mendy Elliott, Northern Nevada Development Authority
Derek Armstrong, Office of Economic Development, Office of the Governor

CHAIR DONDERO LOOP:
I will open the hearing on Senate Bill (S.B.) 281.

SENATE BILL 281: Authorizes the board of county commissioners of certain counties to provide for reimbursements to be made to retailers of motor vehicle fuel and special fuel for certain fuel taxes imposed in those counties. (BDR 32-613)

SENATOR JOSEPH P. HARDY (Senatorial District No. 12):
The town of Laughlin is across the Colorado River from Bullhead City, Arizona. Gasoline prices in Bullhead City are significantly lower because Arizona gas taxes are minimal. Many people drive across the river to get their gas in Arizona. Senate Bill 281 attempts to conserve gasoline tax dollars for Nevada. This is also a problem for Mesquite. This is an economic development issue.

Laughlin has 2,000 acres of land for sale and 9,000 acres available for renewable energy projects. A rail line comes close to Laughlin as well as a natural gas pipeline and transmission lines left from the Mohave Power Station coal slurry plant. Laughlin has huge economic potential.

The bill had a friendly amendment from Clark County (Exhibit C), but it has constitutional concerns and is pulling its support. The bill uses the fuel tax index to reimburse funds to gas retailers in Laughlin for the gas that could have been bought in Laughlin but instead was bought in Bullhead City. We looked at various ways to accomplish this, and S.B. 281 is the result.

PETER D. KRUEGER (Nevada Petroleum Marketers & Convenience Store Association):
I am here representing some 1,200 gas and convenience store outlets in Nevada. We support S.B. 281. While this bill addresses a method to provide more fuel price parity between communities in southern Nevada, the bill also serves to highlight the need of many of our most rural communities to grow and prosper. During the last Session, several members of this Body encouraged and expected local governments to solve their own financial problems with innovation and creativity. One example is the City of Fernley, which is seeking a 5-cent city diesel tax to fund their growing infrastructure needs. This highlights the need for economic development in our rural communities.

This morning GasBuddy.com is reporting the price for regular gas in Laughlin ranges from $2.89 to $3.19. That is a normal spread and depends on the retailer and the margins it expects. Across the river in Bullhead City, Arizona, the price for the same gallon of regular gas ranges from $2.51 to $2.97. Today, that difference ranges from 22 cents to 38 cents per gallon. That does not sound like a lot, but you will hear in testimony that a nonscientific survey was done counting vehicles with Nevada license plates that bought gas in Bullhead City. Additionally, if drivers cross the river to purchase fuel, they are likely to shop for goods and services while there. We see this bill as an attempt to provide a mechanism to create parity between the two communities. I urge the Committee to consider this bill.

SENATOR KIECKHEFER:
Would the reimbursement fund be based on the indexing revenue?

SENATOR HARDY:
Yes.

SENATOR RATTI:
Are there examples from other states that have enacted legislation like this? It would be nice to know the intended and unintended consequences.

MR. KRUEGER:
I do not have that information, but I will provide it to the Committee.

SENATOR RATTI:
There are so many similar situations in other parts of the Country. I was just wondering if we have to solve this for the first time or if another state has solved it in an elegant way.

SENATOR HARDY:
We did examine the situation with a concern of not violating the Commerce Clause, and that is what we bumped into. This bill was the artful way of solving it.

SENATOR KIECKHEFER:
What constitutes a competitive disadvantage—a penny a gallon, 20 cents a gallon, 50 cents a gallon?

SENATOR HARDY:
That has not been determined.

SENATOR KIECKHEFER:
That is my point.

CHAIR DONDERO LOOP:
The same situation applies to Carson City and Reno. I know people from Reno who drive to Carson City to get their gas. Is the wholesale price of gas the same at the Costco in Las Vegas as it is at the Costco in Carson City?

MR. KRUEGER:
The short answer is no. Transportation plays a role. Each retailer has a choice of where it buys fuel. Some must buy branded fuel if they are a brand name station. All those factors determine the wholesale cost. There is not one consistent wholesale price of fuel. Gasoline and diesel fuels are competitively priced. The situation in Laughlin is exacerbated by the retailers in Arizona that are pricing their product to deliberately entice customers.

To answer Senator Kieckhefer's question—retailers we have talked to feel 30 cents puts them at a competitive disadvantage. In reality, it is whatever price difference incentivizes a consumer to cross the river to purchase gas.

CHAIR DONDERO LOOP:
When driving in the Lake Tahoe and Reno area, I see many cars with California license plates. I do not assume they are all here to buy gas. If you count cars going to Bullhead City with Nevada license plates, is it fair to assume they are all doing it to buy gas?

SENATOR HARDY:
At one point, even official vehicles were crossing the river to buy gas, but that has been discouraged as being inappropriate.

CHAIR DONDERO LOOP:
Are you suggesting that county vehicles and law enforcement vehicles are purchasing gas outside the State?

SENATOR HARDY:
Not anymore. I will say ambulances cross the river because that is where the hospital is. I am trying to keep our tax dollars and our benefits here in Nevada when we can.

SENATOR KIECKHEFER:
It occurs to me that we could solve an issue between Washoe County and Carson City over the sales tax disparity on vehicles if we extend this to other types of taxes as well.

MARTIN KNAUSS (Laughlin Economic Development Corporation):
I am a resident of Laughlin and the President of the Laughlin Economic Development Corporation (LEDC). For the past nine years, the mission of the LEDC has been to create and implement a collaborative venture among civic and business leaders in the town of Laughlin to promote the health, welfare and quality of life for residents of Laughlin through economic development.

We support the passage of S.B. 281, which will give Nevada tax authorities a means to provide relief to the gasoline retailers in the Laughlin area so they can be competitive with the retailers directly across the river in Arizona.

The price of a gallon of fuel in Laughlin is typically 80 cents, plus or minus, more expensive than the fuel sold in Arizona. I realize that is more than what was stated here earlier; however, having lived there, that is the typical difference. The volume of fuel purchased in Arizona by Laughlin residents and visitors is quite high. I did an informal survey one weekday morning at an Arizona gas retailer and found that, on average, 20 vehicles per hour with Nevada license plates purchased fuel at that one retailer. If you consider the eight or so major fuel retailers in Bullhead City, a significant amount of fuel sales are leaving Nevada. That does not include the fuel purchased by visitors from another state.

By providing a means for tax authorities to modify the tax on the fuel in border areas and thus allow the retailers to reduce their prices, the volume of fuel sold in Nevada will increase dramatically. The effect will be an overall increase in tax revenue to the county and State entities.

JAMES MANIACI:
Today, I am speaking as a private citizen, since the elected Laughlin Town Advisory Board, of which I am a member, has not yet taken a position on the bill.

Senate Bill 281 is a model for other Nevada communities which suffer from the same situation, especially on the Arizona and Utah borders. Nevada needs a law that would help correct a great imbalance suffered by the 11,000 residents of Laughlin and the 5 retail convenience stores which serve them with gas. They have to pay about 80 cents to a dollar more for a gallon of gas than if they cross the Colorado River into Arizona. This costs Nevada millions of dollars in more than just gas sales. I urge you to adopt S.B. 281 so that Laughlin, Clark County and Nevada can be competitive.

Ironically, my presence in Nevada is due to gas prices. In 2007, when fuel prices started skyrocketing, the difference in the cost of my commute from southern Bullhead City to my job in upper Laughlin provided enough for me to lease an apartment in upper Laughlin. What I saved in driving costs provided enough to make this desirable move to Nevada.

ROBERT BILBRAY (Laughlin Economic Development Corporation):
I have owned a Laughlin gas station for 30 years. Laughlin has failed both Clark County and Nevada in contributing to the State motor vehicle fuel tax. I

raised three children in Laughlin. It has been difficult to get my own children to buy their gas at my station. The price disparity has ranged from $.50 to over $1 a gallon in those 30 years. Laughlin now has 11,000 residents and 2.5 million visitors a year.

This issue does not only affect Laughlin. With the development of the Interstate 11 Corridor, we can expect Boulder City and east Henderson to be affected the same way. The development of truck stops across the river from Hoover Dam in Arizona will have a negative effect. The only border community that benefits from the reverse effect is Stateline. Mesquite has some truck stops that will be challenged in the same way.

Although it is difficult to identify how much tax revenue we are losing, the tax indexing in the last two years has widened the disparity in prices. This bill will give us a mechanism to rectify this problem.

My opinion on the definition of competitive disadvantage would be 20 to 25 cents a gallon. The other term in the bill that requires definition is "near." What is near the border? In Laughlin, five miles from the border would work for the five stations in the community. I will let Mesquite and Wendover speak for themselves. My estimate is that 90 percent of the fuel purchased by Laughlin residents and visitors is being purchased in Arizona. The end result is a massive amount of revenue leaking into Arizona.

CHAIR DONDERO LOOP:
What increase in sales would you estimate this bill would result in at your establishment, and how do you arrive at that estimate?

MR. BILBRAY:
My station has the lowest retail gas price in Laughlin and always will. Sometimes, I sell fuel below cost just to maintain that reputation. The residents of Laughlin shop across the river by looking at the gas gauge in their vehicle. We are losing sales tax in addition to fuel tax.

ALEX ORTIZ (Clark County):
We are pulling the amendment, Exhibit C, which was previously mentioned. Our opposition to S.B. 281 is based on a couple of issues. First, it would have an undeterminable fiscal impact on Clark County because it leaves undefined various critical terms, such as "competitive disadvantage," "near the border"

and the "amount" which is required to be reimbursed. All of these terms would need better definitions to ensure the legislative intent is clear. Secondly, we oppose using general county funds for this purpose. These fuel taxes were put to the voters and approved by them.

DAGNY STAPLETON (Nevada Association of Counties):
We oppose S.B. 281 and echo the comments from Clark County.

JOANNA JACOB (Nevada Contractors Association):
We oppose S.B. 281 because we supported the fuel tax indexing measure. It has gone to excellent use in Clark County. According to the Regional Transportation Commission of Southern Nevada, the result was over $620 million and over 8,000 jobs created.

BILL WELLMAN (Nevada Economic Development Coalition):
The Coalition was formed in 2012 specifically for fuel revenue indexing (FRI) purposes. You heard from us during the 2013 Session when the indexing was proposed and then approved by this Body, subject to being extended in 2016 by a vote of the people. That was posed as a ballot question in every county except Washoe County because Washoe County already had FRI. In 2016, the voters approved FRI and wanted the roads fixed. Across the State, 52 percent approved FRI. Today, FRI has only increased the fuel tax by approximately 13.5 cents. The numbers we have heard today of a disparity of 80 cents or more is not explained by the indexing. Bullhead City has 0.5 percent less sales tax than Clark County, a relatively insignificant amount. If we start doing this for one industry, what will come next?

The voters approved this, and it should not be taken away. Laughlin residents, I would venture to say, want the roads fixed when needed. That is happening today on projects I am personally working on with Clark County.

DAWN LIETZ (Administrator, Motor Carrier Division, Department of Motor Vehicles):
I am here to testify in the neutral position on S.B. 281. As drafted, the bill requires the county to reimburse the fuel retailers. There is no impact to the Department of Motor Vehicles.

PAUL ENOS (Nevada Trucking Association):
We are neutral on the bill. We agree that tax avoidance is an issue for truckers, but it is not unique to one area. Truckers often choose to buy their fuel in California. While it is true that California taxes are higher, truckers pay taxes based on where the fuel is spent. They get greater credit when the fuel is purchased in California.

We are seeing truck stops being built in Storey County and Lyon County. That is because of the FRI. Truckers know when there is a 50-cent differential in per gallon price and they are buying 300 gallons, it makes a real difference. I am sympathetic to the issue of tax avoidance.

We are neutral because of the mechanics of this bill. We supported the FRI in Clark County and believe fuel tax is the best way to pay for road maintenance. We question taking money from a smaller pool to give to businesses that are being harmed. The Nevada Trucking Association is looking at a Statewide solution to the fuel tax.

We are big proponents of economic development. Hearing how much land is available in Laughlin, truck parking comes to mind. There is a real shortage of safe, well-lit places to park with amenities. If such a place was in Laughlin, truckers would use it.

CHAIR DONDERO LOOP:
I will close the hearing on S.B. 281 and open the hearing on S.B. 345.

SENATE BILL 345: Revises provisions governing estate distilleries. (BDR 52-980)

SENATOR JAMES A. SETTELMEYER (Senatorial District No. 17):
The discussion today centers on some Nevada businesses that are running into snags within our tax law. Bently Heritage L.L.C. has made a rather unique product by taking purchased sherry, aging it in a barrel to vodka, which changes its color. We are seeking to change the law to permit this kind of process.

There is an amendment brought by Bently Heritage (Exhibit D). Mr. Hillerby will be presenting this bill using the amendment.

MICHAEL HILLERBY (Bently Heritage L.L.C.):
Nevada has two estate distilleries: Bently Heritage and Frey Ranch Estate Distillery. In 2013, this Body created the craft distillery law. In 2017, the idea was expanded to create the estate distillery law. The definition of an estate distillery, in part, is that 85 percent of all the raw materials used to make the distilled liquor be grown on property owned by the estate distillery. In the case of Bently Heritage, that includes Bently Ranch and Bently Farm in Douglas County.

The original bill had language that made the wholesalers nervous. It appeared to make changes to the three-tiered system they zealously protect. In section 1, subsection 2, the amendment strikes the language "or 597.237." That would have allowed an estate distiller to import, which is a redline for the wholesalers.

Section 2 of the bill, as amended, says an estate distiller in Nevada may buy wine or malt liquor from another Nevada-based business. It may buy this in bulk, distill it and package it as a new product. The bottom of page 2 in Exhibit D delineates that, subject to the provisions of subsection 3, an estate distillery may receive wine or malt beverages in bulk for the purpose of distillation and blending. It clarifies that those beverages only become taxable when bottled. We have also added language to make it clear that they become taxable when removed from the federally bonded premises of the estate distillery. That is to harmonize the provisions of federal and State law.

This bill will enable some interesting partnerships and foster economic development in the State.

CARLO LURI (Bently Heritage L.L.C.):
Bently Heritage is Nevada's newest estate distillery. After a six-year design and construction project, we opened and went into production last fall. We have invested over $100 million in our community and created 35 new jobs.

The laws were crafted to permit tasting and sale of products on site. We have been open two months and have several hundred visitors per week to our site. Three new restaurants have opened in our community. We are happy that our success is spreading to the greater Douglas County business community.

The bill, as amended, allows us to innovate and grow. We have released these three products and are already exporting to Arizona and California. We have several new products in the pipeline. The ability to purchase wine and malt beverages from other Nevada producers allows for collaboration and contributes to economic development. It allows us to purchase some products we might not have on site, while staying within the 15 percent of allowable raw materials not grown or produced on our property.

SENATOR KIECKHEFER:
What is the end product when you distill wine or malt beverages?

MR. LURI:
Distilled malt beverages are generally made from barley and, when distilled, produce a whiskey. This is an opportunity when a poor-quality beer is produced because, when distilled, it can produce a good-quality whiskey. When you distill wine or other fruit-based products, you produce brandy.

CHAIR DONDERO LOOP:
The last line of the amendment states "spirits manufactured by an estate distillery pursuant to this section shall be sold in this State only after bottling in original packages." What constitutes the original package?

JESSE WADHAMS (Bently Heritage L.L.C.):
That language tracks from current language and refers primarily to tax treatment. Once it is bottled and labeled, it can be sold.

MR. HILLERBY:
The bill allows for some spirits to be sold in bulk but only for the purpose of distillation. The product is not taxed until bottled and sold.

MIKE DRAPER (Frey Ranch Estate Distillery; Churchill Vineyards, LLC):
We are opposed to the bill as written, but we are supportive of the amendment. Frey Ranch Estate Distillery was proud to be part of crafting the estate distillery laws and becoming the first commercial estate distillery in Nevada. We are extremely excited and supportive of what Bently Heritage is doing.

Colby and Ashley Frey, the owners of Frey Ranch Estate Distillery, are in New York right now preparing for the release of their bourbon, which has been aging for four years. They have 3,200 barrels in the distillery. They just built another 10,000-barrel-capacity barrelhouse which they expect to have filled within a year. Today, they learned they are going to need another 10,000-barrel-capacity house within 18 months.

ALFREDO ALONSO (Southern Glazer's Wine and Spirits, LLC):
We have been working with the bill sponsor and anticipate, with the amendment, that we are closer to supporting the bill. The intent of the law is to allow operations such as these to grow, hire and enhance their communities. Farmers that we have spoken with like the fact that this legislation grows their potential customer base.

SENATOR KIECKHEFER:
What does it mean for premises to be federally bonded as a distiller?

MR. ALONSO:
Although there are several levels of permitting, the federal level is the most important. If you are not federally bonded, you cannot even change a label. The federally bonded area is where it is manufactured. The bill references it in relation to when the tax is due. If it is an out-of-state manufacturer, the wholesaler pays the tax.

TOM ADAMS (President, Seven Troughs Distilling Company, LLC):
Like others, we were initially opposed to the original language of S.B. 345. The amendment alleviates the concerns we had about importation and rectification of neutral spirits. We support the allowance for importation and redistillation of simple fermented wines and beers. We would like to see the same importation allowance granted to craft distillers rather than exclusively to estate distillers. We feel that would give us an advantage in doing projects with some of our local partners.

SENATOR RATTI:
What is the difference between an estate distillery and a craft distillery?

SENATOR SETTELMEYER:
Estate distilleries are required to use 85 percent of agricultural raw materials grown on their own land. There are also differences in the quantity they are able to distill. This bill was intended to apply to estate distilleries due to the substantial investment these distillers are making in their communities to diversify Nevada's economy and to assist the agriculture sector.

MR. HILLERBY:
There are two key distinctions in the definitions. For an estate distillery, 85 percent of its raw material must be grown on land owned by the estate distillery. The other distinction is the amount that can be manufactured, bottled and sold in the State or for export. The caps are substantially higher for the estate distillery to reflect the sizeable investment in land required to grow the crops needed for the raw materials.

SENATOR RATTI:
Does the land owned by the distillery have to be in Nevada?

MR. HILLERBY:
Yes, it does. The raw materials must be grown in Nevada on land owned by the estate distillery.

MR. ADAMS:
Those distinctions are correct. The craft distiller was the first designation. We are limited to 30,000 cases of production per year, and the estate distillery is limited to 400,000 cases per year. We absolutely support the distinction.

CHAIR DONDERO LOOP:
Is there anything in this bill that would reduce the amount of tax a distillery pays?

SENATOR SETTELMEYER:
No. If anything, this bill could potentially increase tax revenue to Nevada by giving the estate distilleries more options and the ability to avoid waste.

CHAIR DONDERO LOOP:
I will close the hearing on S.B. 345 and open the hearing on S.B. 386.

SENATE BILL 386: Revises provisions governing certain tax exemptions for veterans. (BDR 32-737)

SENATOR JAMES A. SETTELMEYER (Senatorial District No. 17):
Senate Bill 386 also has a proposed amendment (Exhibit E), and I will present the amended version. I conceived of this bill in response to concerns of one of my constituents. As originally drafted, the bill had a significant fiscal impact to the counties. This bill, different from a similar one introduced in the Assembly,

deals only with property tax exemptions and not the Governmental Services Tax. This bill specifically addresses the $2,000 exemption granted to veterans. Through the Consumer Price Index, it has grown to $2,800. That amount can be used to reduce the value of one's home and thereby reduce the property tax owed. For instance, if one's home is worth $200,000, the value can be reduced by $2,800 and would reduce one's property tax by about $20 to $40.

The problem with the bill as drafted was it eliminated the separate date requirements for eligibility and allowed everyone to be covered. The Carson City assessor produced an estimate of the large fiscal impact such a bill would have on localities. Not wishing to do that, I amended the bill.

Under *Nevada Revised Statutes* (NRS) 417.005, one definition of a veteran is an individual who was "regularly enlisted, drafted, inducted or commissioned in the National Guard or a reserve component of the Armed Forces of the United States and was accepted for and assigned to duty for a minimum of 6 continuous years." In discussion, I learned some counties were not applying that section of NRS to the tax exemption. We were not allowing National Guard members to be counted as veterans. I have several friends in the Guard; one of them has done seven tours. He describes his experience as flying around in a billboard that is nothing more than a gigantic target. On every tour, he has wound up with a bullet in his helicopter. If you are willing to be shot at, we should be willing to give you a $2,800 deduction off the value of your home. As my constituent said, it is disturbing to go into the assessor and have him or her tell you that you are not considered a veteran. In section 1, subsection 1, paragraph (d) of the amendment, this is rectified.

In discussion with the counties, we have reinstated some of the date restrictions. Under NRS, if you have served since 1996, you are considered a veteran. The bill changes this to 1989, and has resulted in the counties remaining neutral on S.B. 386. Since this deals only with property tax, it should have no fiscal impact on the State.

STEVE THALER:
I am a United States Marine Corps veteran, having served from 1976 to 1980. Senate Bill 386 fills gaps. I am one of those veterans who does not get this exemption. But this is not about me, it is about all veterans.

When an assessor is evaluating whether to give this exemption, he or she has to go through all these different time periods. We have been at war since 2001. The four years I served were not uneventful. To this day, I remember the night I lost four aviators in a midair collision. Even during peacetime we know tragedy occurs.

What we have arrived at in the amended S.B. 386 is workable. We will chip away at this and include more veterans over time. Veterans deserve your support. Eventually, all veterans will qualify for this exemption. I doubt that anyone here is not connected in some way to a veteran.

SENATOR RATTI:
I have no philosophical issues with the intent of the bill. Trying to parse who is a veteran is ludicrous. We cannot face anyone who served and say: "You are a veteran" or "You are not a real veteran." That being said, the cost of broadening the definition took many by surprise. While we have broadly discussed the cost to the counties, I want to be clear that property tax supports all jurisdictions within a county, which includes school districts and water districts. I imagine everyone in this room, including our wonderful veterans, knows that the funding for our schools is an important conversation right now. If we are eroding a significant amount of our property taxes, we are also talking about challenging school funding.

The original concept of the bill was to take all those distinctions away and include the National Guard. Now the amendment goes back and leaves the distinctions. It looks like we still have wartime service and anything after 1989. The individuals left out at this point are those who served in peacetime in any of the gaps. Is that correct?

SENATOR SETTELMEYER:
You are essentially correct. I say essentially because what we consider peacetime was not peaceful for these individuals. Some were shot at, some were in conflicts, but because our government did not call it a war then, by definition, we were at peace. I would point out that Mr. Thaler, who brought this to me, will not benefit from this bill. But he believes in the concept. He falls in the gap. And yes, we will be back next Session, as a Body, having the same discussion. We will whittle away at the gaps.

The Carson City Assessor, Dave Dawley, came to me with concerns about the bill as originally written. Carson City has 2,000 individuals who take advantage of this exemption. The census indicates there are 4,800 eligible. Using the 4,800 count would be completely inaccurate because the bill eliminates for eligibility individuals who were not honorably discharged, which would account for around 10 percent. That would result in about 2,000 additional individuals who might apply for the exemption. My father was a Vietnam veteran. He would never have applied. He did his service and did not want to receive benefits; he just wanted to forget the war. There will be individuals who feel the relatively small benefit is not worth the paperwork.

I disagree with Mr. Dawley's large fiscal impact estimate. In order to ameliorate the concern of local governments, we agreed to dial it back. I will be back next Session to expand it. I hope when I am gone, someone will carry on until all who served are recognized as veterans. But it will not be today.

SENATOR RATTI:
I am not arguing with the philosophy at all, I am just trying to understand the amendment. Do any of the date restrictions eliminate individuals who qualify for the exemption now?

SENATOR SETTELMEYER:
No, it expands who is able to qualify for the exemption.

SENATOR RATTI:
I understand. This expansion qualifies veterans who have served more recently. Why start the expansion with the older veterans?

SENATOR SETTELMEYER:
We felt the expansion to more recent veterans was more relevant and did not create a new gap. Going in this direction includes more individuals.

SENATOR RATTI:
Do we have Statewide data about how many individuals fall into each category?

SENATOR SETTELMEYER:
I had asked for that information, but that data is apparently not available. That is part of the reason the fiscal note was so large.

SENATOR RATTI:
We would have to rely on a fiscal note from each county that would be pure estimate.

SENATOR SETTELMEYER:
In my opinion, you would have been dealing with an estimate either way. There is no way to know how many eligible individuals would apply for an exemption.

SENATOR RATTI:
Did you consider giving the benefit to all but reducing the dollar amount? Does it just get to a place where it is so small as to be meaningless?

SENATOR SETTELMEYER:
That would be asking all current users of the exemption to discount their service. I could not do that.

MITCHELL ROACH (United Veterans Legislative Council):
I would point out that not every veteran owns a home. I am a renter. We are in full support of S.B. 386.

MARY WALKER (Carson City; Douglas County; Lyon County; Storey County):
We support the amendment to S.B. 386. I have been lobbying on behalf of local governments for a long time. Every so often, a bill comes around that tries to open up a benefit to all veterans; every time, it dies because of the fiscal note. This time, we wanted to open it up just a little. We worked with the assessors and the Department of Motor Vehicles. This bill is doable. It phases this benefit in over time and will do a lot of good. Because it is a finite amount, we will be able to assess over the next several years what the fiscal effect is.

JANA SEDDON (Nevada Assessors' Association):
I am the Storey County Assessor here on behalf of the Nevada Assessors' Association in support of S.B. 386 as amended.

DARROL BROWN (United Veterans Legislative Council):
I was originally in support of S.B. 386, but I am not sure about the amendment. Last year I finally got the courage to apply for my veteran's exemption. I chose the exemption from the Governmental Services Tax on my car, which was worth $109, while the exemption on my house was only about $30. Once this all gets settled and done, I do not think it will make much difference.

CHARLES SANTO:
I have been a Nevada resident for 25 years. I was surprised to find out from the assessor that because I have a general discharge under honorable conditions, I do not qualify for the exemption. Why is my service less honorable than another's? Why can I not get this exemption?

CHAIR DONDERO LOOP:
Thank you for your service. I would suggest you reach out to the bill's sponsor or one of the veterans' groups here today.

SENATOR PARKS:
I would suggest that Mr. Santo go to the Department of Veterans Services that can evaluate the situation and help.

MR. SANTO:
Thank you, but my objection is that all veterans with a general discharge are denied this exemption. Why is our service less honorable?

SENATOR SETTELMEYER:
There is a whole group of individuals in the Vietnam conflict who chose not to serve after they had come home. They were allowed to get a general discharge under honorable conditions. Those individuals can get their status changed at the U.S. Department of Veterans Affairs. The exception is in NRS, and S.B. 386 does not change that. I would be in favor of changing the status for everyone. My data says 6.3 percent of individuals discharged under those conditions.

I would reiterate that this bill deals only with NRS 361.090, the partial property tax exemption.

MR. SANTO:
I appreciate your advice on getting my discharge amended. But as a Vietnam veteran with a Purple Heart and a 90 percent disability, it was a slap in the face to be told I did not qualify as a veteran.

SENATOR SETTELMEYER:
Please send me your contact information, and I will put you in touch with constituent services.

CHAIR DONDERO LOOP:
I will close the hearing on S.B. 386 and open the hearing on S.B. 410.

SENATE BILL 410: Revises provisions relating to incentives for economic development. (BDR 32-881)

SENATOR BEN KIECKHEFER (Senatorial District No. 16):
In the Twenty-ninth Special Session in 2015, the Nevada Legislature approved a significant economic development project for the company we expected to be Faraday Future. The statute included transferable tax credits (TTC) that remain on the books, despite the fact the project did not materialize as originally intended. Those permanent TTCs are created in NRS 360.891. I view those as a potential liability to the State that the Legislature no longer has any control over. While I support economic development and am proud of the work Nevada has done to encourage it, projects of this significance, which require potentially $36 million in TTCs to be issued, should be vetted on a case-by-case basis so that we can evaluate that project's merits. This bill does not affect any credits already issued. It does not affect the project at the Tahoe-Reno Industrial Center that meets the $3.5 billion investment threshold. The bill relates to the $1 billion investment threshold that was created in 2015. It eliminates from statute those sections related to the TTCs and makes conforming changes in other pieces of NRS.

ASPEN KIECKHEFER:
Page 14 of the bill, which details text of repealed sections, states that qualified projects may get TTCs for $9,500 per employee, up to 4,000 employees. That equals $38 million dollars, a substantial amount of money. Think about what you could buy with $38 million.

The Legislature tried to give a tax credit to a company that never fulfilled its end of the bargain. That has left the State with a liability that is approved but with no control left to the Legislature. The Governor's Office of Economic Development controls it. This should come back under the Legislature's control so it can be used in a way that does something good for Nevada.

SENATOR RATTI:
If you were going to spend that $38 million, where would you choose to spend it?

MS. KIECKHEFER:
I belong to the Sierra Nevada Chapter of the National Charity League. We volunteer for things—and that is when I realize how lucky I am. I would donate a lot of that money to organizations like the Eddy House, the Nevada Humane Society or local food banks. It would also be nice to buy a beach house. If I had $38 million, it would be nice to use a little bit of it for myself.

CHAIR DONDERO LOOP:
When you disbursed that funding to Eddy House, food banks, schools or whatever you chose, would you have the recipient write a grant, apply for it and explain how it is going to use the funds?

MS. KIECKHEFER:
Yes, I definitely would. If we did not know what the organization was using it for, it might use it for something that was not important. I would want it to write a grant and tell us how it will use the funds.

MENDY ELLIOTT (Northern Nevada Development Authority):
Originally, we were opposed to S.B. 410, but after this compelling testimony, we are now in support. We understand this was a one-shot deal with Faraday and because of their nonperformance, this particular piece of legislation needs to be called back. As much as we would love to have the ability to access the TTCs, we respect that a deal this complex needs to come back to the Legislature for oversight.

DEREK ARMSTRONG (Office of Economic Development, Office of the Governor):
We come today neutral on S.B. 410. Our Office understands the reason for bringing this legislation forward and the need to balance economic development with oversight. Assembly Bill 385, which is working its way through this Session, repurposes these credits.

ASSEMBLY BILL 385: Enacts the Southern Nevada Enterprise Community Economic Development Act. (BDR S-865)

We will work with the sponsors of both bills to ensure that the tools for economic development are matching the needs of the Legislature.

CHAIR DONDERO LOOP:
I will close the hearing on S.B. 410. This meeting is adjourned at 3:39 p.m.

RESPECTFULLY SUBMITTED:

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Barbara Williams,
Committee Secretary

APPROVED BY:

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Senator Marilyn Dondero Loop, Chair

DATE:______________________________________

EXHIBIT SUMMARY				
Bill	**Exhibit / # of pages**		**Witness / Entity**	**Description**
	A	1		Agenda
	B	5		Attendance Roster
S.B. 281	C	2	Clark County	Proposed Amendment
S.B. 345	D	3	Bently Heritage L.L.C.	Proposed Amendment
S.B. 386	E	2	Senator James A. Settelmeyer	Proposed Amendment