

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

**Eighty-First Session
April 1, 2021**

The Committee on Revenue was called to order by Chair Lesley E. Cohen at 4:05 p.m. on Thursday, April 1, 2021, Online. 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/81st2021.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Lesley E. Cohen, Chair
Assemblywoman Teresa Benitez-Thompson, Vice Chair
Assemblywoman Natha C. Anderson
Assemblywoman Shannon Bilbray-Axelrod
Assemblywoman Venicia Considine
Assemblyman Gregory T. Hafen II
Assemblywoman Heidi Kasama
Assemblyman C.H. Miller
Assemblyman P.K. O'Neill
Assemblyman David Orentlicher
Assemblyman Tom Roberts
Assemblyman Steve Yeager

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblywoman Jill Dickman, Assembly District No. 31

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Terri McBride, Committee Manager
Gina Hall, Committee Secretary
Cheryl Williams, Committee Assistant



OTHERS PRESENT:

Sean O'Donnell, Executive Director, Foundation for Recovery
Stephanie Woodard, Senior Advisor on Behavioral Health, Division of Public and Behavioral Health, Department of Health and Human Services
Steve Hill, President/Chief Executive Officer, Las Vegas Convention and Visitors Authority
Bethany Khan, Director of Communications & Digital Strategy, Culinary Workers Union Local 226
Matthew Griffin, representing MGM Resorts International
Jesse Wadhams, representing Reno-Sparks Convention and Visitors Authority
Paul Moradkhan, Senior Vice President, Government Affairs, Vegas Chamber
Virginia Valentine, representing Nevada Resort Association
Melanie Young, Executive Director, Department of Taxation

Chair Cohen:

[Roll was taken and Committee rules and protocol were reviewed.] I will open the hearing on Assembly Bill 370. Assemblywoman Dickman is here today to present A.B. 370, which revises provisions relating to taxation on liquor.

Assembly Bill 370: Revises provisions relating to taxation on liquor. (BDR 32-750)

Assemblywoman Jill Dickman, Assembly District No. 31:

I am here today to present Assembly Bill 370 for your consideration [reading from prepared testimony, [Exhibit C](#)]. The goal of A.B. 370 is to help those recovering from substance use disorders get back on their feet after undergoing treatment. Many services in Nevada are covered by Medicaid, but there is a significant gap when it comes to recovery support services. These types of services help these folks get housing, job placement, and many other things that are essential to preventing relapse and returning to treatment. It can also help us alleviate some of the significant waitlist problems for treatment facilities that we have here in Nevada.

This bill will set aside 15 percent of liquor tax revenue, after the distribution to the counties, for these services. This money would be allocated to the Division of Public and Behavioral Health (DPBH), Department of Health and Human Services, to be granted to certified recovery community organizations (RCOs). It is also very important to note that studies have shown that recovery support services bring with them a significant cost savings for behavioral health services. A study conducted in Colorado found that for every \$1 spent on recovery services, the health care system experienced a \$2.28 return on investment. The Georgia Department of Behavioral Health and Developmental Disabilities found that including these services as a part of treatment saved them over \$5,000 per individual per year.

I think it is important that we not only find ways to make providing behavioral health services more cost effective, but that we do not simply forget about those who need our help the minute they walk out the door of a treatment facility. There is no one better to provide this support than someone who has walked in their shoes. Let us help them recover so they do not have to go back.

Also, since the original language of the bill did not quite capture our intent, we are presenting this bill with a short amendment [[Exhibit D](#)] that I hope you have all had a chance to look at. In section 2, the amendment removes "services for the detoxification and rehabilitation of" and replaces it with "peer recovery support services for" because most detoxification and rehabilitation services are already covered by Medicaid. It also adds "recovery community organization" as the type of provider that will be receiving these funds.

I would now like to turn it over to Sean O'Donnell. He is the Executive Director of Foundation for Recovery. He will be going over more details about the types of services we are talking about and the great results that can be achieved for our fellow Nevadans who struggle with addictions.

Sean O'Donnell, Executive Director, Foundation for Recovery:

The Foundation for Recovery is Nevada's statewide recovery community organization and charitable nonprofit governed and led by people in recovery from substance use disorders [reading from prepared testimony, [Exhibit E](#)]. I am also a person in recovery and celebrated four years on January 5, 2021. Today, I am fortunate to lead a team of trained peer recovery support specialists and volunteers who provide mentorship and support at no cost to anyone in need.

Many of us feel compelled to do this work, almost as an obligation, to reach out and help the next person who is struggling. Every day I witness hope and transformation as people seeking assistance connect with others in recovery who share similar life experiences. This is the epitome of peer-based recovery support services and recovery community organizations.

I am a product of the treatment system and have participated in intensive outpatient and extended residential programs. But I want to differentiate between treatment and community-based recovery supports such as those provided by recovery community organizations.

Although treatment was a necessary intervention to stabilize my acute problems with substances, my reintegration into the community and the supportive services to rebuild my life, complete my education and graduate school, and find a rewarding career, fiancé, and home came with years of community-based peer recovery support services, not brief periods of clinical care. This was possible by embedding myself into an environment with others, post-treatment, who have been through similar life experiences, and one which focused on my strengths instead of my illness, empowering me to no longer feel ashamed of my past. While treatment saved my life, recovery supports helped me rebuild it.

At the heart of this bill, we are seeking to break the costly treatment cycle and reduce recidivism rates by investing in the infrastructure of recovery supports within the everyday environment by strengthening Nevada's recovery-oriented system of care, from prevention, intervention, treatment, and post-treatment recovery support services through recovery community organizations. The grim reality is that the number of people struggling with substance use and mental health challenges is likely to increase drastically due to COVID-19. The Centers for Disease Control and Prevention reports there were 81,000 drug overdose deaths reported from May 2019 to May 2020—an all-time high. The predicted count for the remainder of 2020 is expected to be at least double due to the pandemic.

Our state and much of our nation have rightfully focused on addressing the opioid crisis and rising overdose deaths, but alcohol still takes the majority of lives annually. Alcohol misuse contributes to 88,000 deaths in the United States each year, with 1 in 10 deaths among working adults due to alcohol misuse. In order to dramatically reverse this troubling trend, it is imperative that our addiction crisis response evolve from an acute short-term individual-focused treatment response to a broader community-recovery response. Addiction is a chronic illness, and recovery often is a life-long process where external community and social determinants of health play a vital role in its sustainability.

In 2016, Surgeon General Vivek Murthy issued "Facing Addiction in America: The Surgeon General's Report on Alcohol, Drugs, and Health." In that report, there were well-supported evidence and data that tell us if we can get someone past the fifth year in recovery, they have an 85 percent chance of sustaining that recovery for the rest of their life. Most treatment programs are weeks and sometimes months in length. So what happens after treatment? I am sure we have all heard of the 28-day program. What happens after those 28 days? And ask yourself, is 28 days enough to force a chronic disease into remission?

Recovery community organizations are independent, nonprofit organizations led and governed by local communities of recovery. Organically, they are reflective of the people they serve. Recovery community organizations provide community-based recovery support services that effectively extend treatment beyond the clinical setting into the everyday environment for those seeking and maintaining recovery. Many RCOs operate community centers, provide peer-based recovery housing, peer respite care, workforce development programs, and individualized peer support, and offer a place for meetings and other group support to autonomously congregate, pro-social events and activities, and transportation assistance, among other supportive services and amenities. They are a place for community and social integration. Recovery community organizations also work to foster the development of local recovery community support institutions, including recovery schools and collegiate recovery programs, recovery industries, and recovery ministries.

New evidence from Dr. John Kelly at Harvard University makes it clear that attending a recovery community center regularly over time is associated with greater recovery capital, which in turn is associated with positive differences in quality of life and related outcomes. Peer-based recovery supports help break the treatment cycle and reduce recidivism rates.

It is an evidence-based practice that lowers the cost of mental health services by reducing rehospitalizations and days spent in inpatient treatment. *Mental Health America* published a white paper in 2018 chronicling some of this evidence. Here are just a handful of those accounts:

- Recovery Innovations, a peer-powered international organization based in Arizona, saw a 56 percent reduction in hospital readmissions.
- Pierce County, Washington, reduced involuntary hospitalization by 32 percent, leading to a savings of nearly \$2 million in one year.
- In two of their managed care contracts, Optum saw an 80.5 percent average reduction of inpatient days for individuals who had at least two hospitalizations on average per year.

The problem is, historically and currently, recovery support and acute treatment have been thought of synonymously. As a result, we have drastically underfunded sustainable post-treatment community-oriented services. Every year through the Federal Substance Abuse Block Grant, we invest nearly half a billion dollars in dedicated primary prevention strategies, and a blend of federal grant programs combined with Medicaid provides tens of billions annually for clinical addiction treatment services.

Assembly Bill 370 does not take funding away from the necessary prevention and treatment services. Instead, it extends our investment into the full continuum of care by dedicating needed funding into our local communities to improve and expand recovery community organizations and peer-based recovery support services. The intent is to include eligible new and existing recovery community organizations that hold at least a current administrative program services certification type through SAPTA [Substance Abuse Prevention and Treatment Agency].

I again want to sincerely thank each of you for hearing this important and timely proposal. This morning the White House released the Biden-Harris administration's statement of drug policy priorities. Advancing recovery-ready workplaces and expanding the addiction workforce, along with expanding access to recovery support services, were highlighted as top priorities in year one. Your support of recovery community organizations and services will save lives, reduce health care costs, and provide the ongoing recovery infrastructure many of us in recovery need to stay well and rebuild our lives.

Chair Cohen:

Thank you for sharing your story and for your work in our community. Assemblywoman Dickman, are you ready for questions or is there more to your presentation?

Assemblywoman Dickman:

We are ready for questions.

Assemblyman Yeager:

Assemblywoman Dickman, thank you for presenting this bill, and Mr. O'Donnell, it is good to see you and congratulations on four years in recovery. That is a huge accomplishment. I want to ensure I am understanding correctly what the bill does. I think right now the money we are talking about is essentially distributed, as indicated, by section 2 of the bill, which is existing law, and then it looks like we are carving out 15 percent of the money that is currently collected and distributing it for peer recovery support services as indicated in the amendment. I wanted to get confirmation that we are not raising additional money, we are just reallocating the resources that are already raised by the State.

Assemblywoman Dickman:

Yes, that is absolutely correct.

Assemblyman Yeager:

There is an exhibit up on NELIS [Nevada Electronic Legislative Information System] [\[Exhibit F\]](#) and your name is on it, Assemblywoman Dickman, but I do not know if you prepared it. This could be a question for our Fiscal Analysis Division, Legislative Counsel Bureau (LCB) staff. I am trying to understand the amount of money we are talking about. There are a lot of numbers on the table and I am probably just not reading it well. Do you know approximately what amount of money the 15 percent would represent?

Assemblywoman Dickman:

This actually came from the Fiscal Analysis Division [\[Exhibit F\]](#) and it is from 2020. The 15 percent that would go to these services would be \$3,235,033 each year. That was an analysis the Fiscal Analysis Division did for us.

Assemblyman Yeager:

On NELIS it is highlighted in green.

Assemblywoman Dickman:

Yes, it is the number highlighted in green.

Assemblyman Yeager:

I am not sure if you know this or not, Assemblywoman Dickman. We are going to take 15 percent of the money and we are going to allocate it to certain organizations that meet the requirements indicated in your amendment [\[Exhibit D\]](#). Do we have any idea, on a statewide basis, how many organizations might be eligible? I noticed in the actual bill and the amendment they have to be certified by the Division [Division of Public and Behavioral Health]. My question is, are they already certified by the Division or is this a new process that is being set up?

Assemblywoman Dickman:

I am not exactly sure, but I believe the Division of Public and Behavioral Health (DPBH) is listening and I thought they were going to be on the call. There may be someone on the phone who could probably answer that question, or possibly Mr. O'Donnell.

Chair Cohen:

Mr. Evans, are you on the call? [There was no response.]

Sean O'Donnell:

To my knowledge there are two recovery community organizations in the state of Nevada that are currently SAPTA certified. I think the hope would be that this funding would be able to expand these types of services into other populations across the state.

Assemblyman Yeager:

Certainly, if someone else is on the phone, they could weigh in on that. You may not be in a position to answer my last question, Assemblywoman Dickman, but I noticed that the effective date is July 1, 2021. Because of our tax collections and how they work, I wondered if we knew how soon we would be able to get that money out to the organizations so they can do the very good work they are doing in the community?

Assemblywoman Dickman:

Apparently Stephanie Woodard is on the phone but she cannot get through. She is from DPBH and she might have that answer. I do not know the exact answer to that. If she cannot get through and we cannot find out right now, I can certainly get back to you and the Committee.

Chair Cohen:

If Dr. Woodard can answer that when she gets through, we will appreciate it.

Assemblywoman Anderson:

Thank you, Assemblywoman Dickman, for bringing this forward and congratulations, Mr. O'Donnell, for your great accomplishment. Thank you also for presenting this today. My first question Assemblyman Yeager already brought forward and that was how many people are eligible. My second question is, what is the process? If it is a competitive grant, would this be done based upon populations? Would it be based upon prior successes? What would be the ongoing item, or is that something that DPBH would have to make the decision about once the money has been granted?

Assemblywoman Dickman:

Mr. O'Donnell, would you care to answer that or do we need to hear from DPBH on this?

Sean O'Donnell:

I think we would need to hear from DPBH if we could.

Assemblywoman Dickman:

If we cannot get DPBH on the line, we will work with them and the Committee to get you those answers.

Assemblywoman Anderson:

Just to clarify, this would be a decrease of \$3 million into the General Fund if this were granted. Am I understanding that correctly?

Assemblywoman Dickman:

Yes, you have that correct. It would be a diversion of funds, but with the return on investment we would end up probably doing a little better.

Assemblywoman Kasama:

My question is probably for Mr. Nakamoto. When I look at the liquor excise tax table [[Exhibit F](#)] where you are stating the \$3.2 million goes to this fund, it seems like that is not quite right because the top section of the table—the amount collected for over 22 percent alcohol volume—is the \$3.9 million, and of that amount, \$3.2 million goes to the General Fund, some to the counties, and some to the other accounts. So is it actually 15 percent of the \$3.2 million? It just does not seem quite right.

Assemblywoman Dickman:

Actually that is \$3.2 million. The State General Fund tax receipts are \$21,566,883, so it is 15 percent of that amount.

Assemblywoman Kasama:

The \$21 million. Maybe I missed that someplace.

Assemblywoman Dickman:

Where it says the "Breakdown of Over 22 percent" and then it says, "State General Fund," then "State Portion," with the tax rate of "\$2.95."

Assemblywoman Kasama:

Correct.

Assemblywoman Dickman:

So that total is \$21,566,883 and we would like to see 15 percent of that amount.

Assemblywoman Kasama:

So it is just 15 percent of the General Fund—none of those other accounts—strictly the General Fund amount?

Assemblywoman Dickman:

Right. We are not trying to ask for anything from the local governments.

Assemblywoman Benitez-Thompson:

I also want to ensure I am reading the table right [[Exhibit F](#)]. I believe it is 15 percent of \$3.2 million, which is roughly \$485,000. Could I have our Fiscal staff tell me if I am right or wrong? I know our Fiscal staff will go through the table. It looks right now that the annual amount that goes into this program is about \$164,000. What I was trying to figure out was if

it were 15 percent of the \$3.2 million, getting us to just around \$485,000, that would be more than double than what is going into the program right now. I would [unintelligible] if that is where you were landing, Assemblywoman Dickman, if your goal was to ideally double the amount. I think a better question would be why 15 percent? Why not 10 percent? Why not 5 percent? Why not 20 percent? Why 15 percent?

Assemblywoman Dickman:

The State General Fund total from 2020 was \$21.5 million, so 15 percent of that is actually \$3.2 million.

Assemblywoman Benitez-Thompson:

So we would be going from the status quo right now at about \$162,000 and it would go up to \$3.2 million.

Assemblywoman Dickman:

Correct.

Assemblywoman Benitez-Thompson:

So what is the rationale behind 15 percent? Why is \$3.2 million the sweet spot, and not doubling or tripling of the number?

Assemblywoman Dickman:

Honestly I would have liked to ask for more, but with our financial situation and economy in such poor shape, I thought that 15 percent might be a reasonable number to start. Mr. O'Donnell, do you have any other thoughts on that?

Sean O'Donnell:

I cannot speak specifically to the reason behind the methodology for coming up with 15 percent, but as I had explained in my testimony, just the amount of funding that is currently going toward other services, \$3.2 million going toward building out this necessary infrastructure in the state of Nevada, to support recovery-oriented systems of care, when we have just been hit by a terrible public health crisis. Nevadans are struggling with mental health and substance use. Really, \$3.2 million could go a long way, a lot further with recovery community-based services than going into clinical care. I think that 15 percent is reasonable.

Assemblywoman Dickman:

Honestly, as I said, we would have liked to have asked for much more, but because of the pandemic and how many people have probably been affected with substance use issues and also mental health issues, we thought we had to at least shoot for something that would make a difference.

Assemblywoman Benitez-Thompson:

I appreciate that and I love the merit of this bill. I have absolutely no qualms with it. I think it is really important. I am eager for our Fiscal staff to walk us through this

because I think I did confuse the number. I think I was looking at the 15 percent and representing that as a status quo, but I am not sure. I will let our Fiscal staff play cleanup on that question.

Typically when we look at how we might fund a program, we would look to see if there was a wait list, and what would it take to cover that wait list or is there a capital project and an expansion. Typically if there is a number, there is usually a target associated with it. That is why I was asking about the 15 percent. I did not know if that meant something like three additional programs could stand up that would serve an additional 50 people. I was just trying to think of what those dollars would represent in terms of what we would see on the street. I appreciate your responses.

Chair Cohen:

We will have our Fiscal staff walk us through the table [[Exhibit F](#)] to ensure we are all on the same page.

Russell Guindon, Principal Deputy Fiscal Analyst:

This was work product that was created for Assemblywoman Dickman per request. I will assume I have been released from my code of conduct, since it is now in the public domain and there are several questions being asked about it, to be able to discuss it.

Assemblywoman Dickman asked me, with the construct which she is working on, so there were different scenarios put together for her consideration in terms of the percentages. It was obviously Assemblywoman Dickman's decision, so this is the one that was chosen for the bill. The table [[Exhibit F](#)] may have more information than was necessary for the request. But it does give you an overview of the liquor tax—that there are four different types, the rates, the actual gallons from fiscal year (FY) 2020, tax receipts from those gallons, and where they are distributed. Based on the direction to the Fiscal staff from Assemblywoman Dickman, we were looking at the breakdown of over 22 percent, since there is a portion of that already being distributed to the liquor tax program account.

The line that says "Over 22%" in the top block, that \$26.3 million is the total tax receipts. You can see in column I she was shown 15 percent of all the different taxes, so we should have an idea of what 15 percent meant for any one of the four revenue sources. Down in the middle block, titled "Breakdown of Over 22%," that is showing how the \$26.3 million is actually distributed under current law in column F, and then the percent breakouts in column G. So again, in column I you are seeing 15 percent of those amounts, allowing Assemblywoman Dickman to see the dynamics of where you could decide to take 15 percent. As has been stated here by Assemblywoman Dickman, the amount that would be redirected from being deposited into the State General Fund to the account and program Assemblywoman Dickman is proposing in her bill, is indeed the cell that is highlighted in green in column I. Had this been in place in FY 2020, it would be the \$3.2 million that would have been directed to the program being proposed in the bill versus being deposited into the State General Fund. Hopefully that answers the question and explains the table.

When I was putting this together, I was showing all the pieces at the request of Assemblywoman Dickman, and based on her decision, it is the green cell that is in play for this bill.

Chair Cohen:

Thank you for that clarification. We have a couple more questions from members of the Committee, and then they will have an opportunity to ask Mr. Guindon more questions about the table.

Assemblywoman Bilbray-Axelrod:

In looking at the bill [section 2, subsection 2, paragraph (b)], the administrative and personnel costs related to the grants, with two organizations currently able to receive these grants and the amount being \$3.2 million, I am wondering if that is not a little too ambiguous to say we can use some for administration. I know in my life, working on grants and grant writing at the federal level, they are very specific on what can be used for personnel and administrative. It really has to be direct services for most things. Could you speak to the intent of that?

Assemblywoman Dickman:

That is money that will be taken out of the funds that DPBH will be able to use for their administrative costs. This money is ultimately allocated to DPBH and they will allocate it to the organizations. They may need additional staff in order to administer this, and if they do, it will be paid for out of what we are already asking for.

Assemblywoman Bilbray-Axelrod:

So when they set the parameters of the grant application, they will be setting up the determination of what can be used for administrative or personnel within the grant structure. Is that correct?

Assemblywoman Dickman:

Which they already do, so yes.

Assemblyman O'Neill:

Mr. O'Donnell, I think you would probably be the best one to answer this question. First, congratulations on some very hard work for what you have done over the last several years, and putting this together with Assemblywoman Dickman and presenting it. What is our return on investment for the \$3.2 million? Do we have any statistics on recidivism, for people such as Mr. O'Donnell, that will be coming out, some numbers to tell me what I am buying?

Sean O'Donnell:

As I mentioned in my testimony and Assemblywoman Dickman mentioned in her testimony, these community-based services have greatly alleviated reentries into hospital-based programs, more costly inpatient programs, lowered recidivism rates, and have been a great

cost savings for many different states and local communities. There have been several reports on that. If you are looking for a specific number, I am happy to share a few different studies with the Committee.

Assemblyman O'Neill:

That is what I was looking for, some numbers. You said they had been successful. I was just trying to get some numbers for us to help understand what the return on investment is.

Sean O'Donnell:

Depending on where we are looking at those numbers, if that is the cost of recidivism or reentry into hospital programs or inpatient, it definitely differs. In some of the studies we know have been done and as mentioned in my testimony, Arizona's [unintelligible] organization that it started to implement community-based recovery services had seen a great reduction in hospital readmissions. Pierce County in Washington reduced involuntary hospitalizations by 32 percent, which led to a cost savings of about \$2 million in just a single year for hospital readmissions. Assemblywoman Dickman mentioned some studies from the Behavioral Health Workforce Research Center at the University of Michigan [[Exhibit G](#)]. I do not have those on hand, but I know there are many studies and I would be happy to share them with the Committee after today's hearing.

Assemblyman O'Neill:

I would greatly appreciate that.

Assemblywoman Dickman:

I would just like to say the return on investment in this case is truly immeasurable because we are not only talking about dollars, we are talking about restored lives. We can look at the dollars, but we need to look at the people too.

Assemblyman O'Neill:

I can understand that. Being chairman of our Salvation Army here in Carson City, we have programs that we work on but we still have to look at some of the costs. We have to be able to compare some of that to ensure what we are doing is appropriate. As Assemblywoman Bilbray-Axelrod stated, with the federal grants you always have to have performance measurements on it and be able to give those to sustain some of your grant monies. I look forward to seeing some of that information.

Chair Cohen:

Do any members of the Committee have questions for Mr. Guindon to clarify anything from the table?

Assemblywoman Anderson:

I do not know if it is from the table [[Exhibit F](#)] or something for Mr. Guindon in general. What percentage is currently used for the education programs such as this? I realize it is not

set in statute, but from the current language it sounds like when there is excess, it is supposed to be utilized in that case. Is there currently a percentage that is known that is used for these programs?

Russell Guindon:

I am not quite sure of the context for the part of the question about education. What is shown in the middle block [[Exhibit F](#)] is all of the liquor tax for malt beverages, the 0.5 percent to 14 percent, and over 14 percent to 22 percent you can see in column H. All those proceeds are dedicated to the State General Fund, so there is no redistribution of the proceeds from those three taxes on liquor. It is only the portion of the liquor tax that is on liquor of over 22 percent alcohol by volume that has the distribution provisions shown in the middle block of the table. Thus, of the \$3.60-per-gallon rate, \$2.95 of it goes to the General Fund, \$.50 of it is distributed to local governments through the CTX [Consolidated Tax Distribution] formula, and \$.15 currently goes to the tax on liquor program account for use for those programs. That amount is shown in column F, approximately \$1.1 million [\$1,096,621] is the portion that is currently going to the tax on liquor program account to fund the uses and programs that it is authorized for there, but none of the liquor tax ends up being distributed or allocated to K-12 [kindergarten through grade 12] or education programs.

Assemblywoman Anderson:

Thank you for that clarification. I did mean the education programs Assemblywoman Dickman is bringing forward, not schools or K-12 education programs. Sorry for the misunderstanding. If I understand this correctly, the table is currently utilizing a specific amount of money and this bill is proposing to change that to a percentage, in addition to. Is that correct?

Russell Guindon:

Yes, that is correct. I apologize, as when I hear education it is a literal translation for me. Under current law, it is the 15 cents per gallon of the alcohol over 22 percent that is currently dedicated. So this would be allocating an additional 15 percent of the \$2.95 rate, and I believe Mr. Nakamoto put that in the bill explanation, so as I am talking about it, you have that for reference. That would be an additional 44 cents of the liquor tax that has over 22 percent alcohol by volume dedicated to the program in Assemblywoman Dickman's bill. That is how we would see the Department of Taxation administer this.

As the language is phrased in the bill, you would end up with basically \$2.51 of the \$3.60 rate going to the General Fund, \$.50 continuing to go to the local governments for distribution to the CTX, \$.15 continuing to go to the liquor tax program account, under current law, and then there would be the \$.44 rate, and those proceeds would be dedicated to the purpose specified in Assemblywoman Dickman's bill. In a sense you could add an additional row to the middle block of the table [[Exhibit F](#)] and put \$.44 there. Thus, \$2.51, \$.44, \$.50, and \$.15 add up to the \$3.60 statutory rate that is imposed on liquor over 22 percent alcohol by volume.

Assemblywoman Anderson:

Thank you so much for that clarification. Making the percentage to dollars and cents helps me out a lot.

Chair Cohen:

Apparently Dr. Woodard is on the phone and we are trying to get her into the meeting. While we are waiting for Dr. Woodard, I have a question about section 2 and changing the grant program. Is this language changing, or hamstringing, DPBH from other programs they might want to do? The way I read it is this is utilizing all of the money that is set up in the account in NRS 369.174. Is that correct?

Assemblywoman Dickman:

That is not my understanding. It would be nice if DPBH could get on the call and help us with this. It is not my intent.

Chair Cohen:

It could just be the way I am reading it. I also wanted to get a little more information about changing the language to peer recovery as opposed to other services, but you are saying other services can be utilized; this would just be something very specific out of that for peer recovery.

Assemblywoman Dickman:

That would be my intent. I would like to give this one to Mr. O'Donnell. There is already so much money spent on these other services. It is the peer recovery services that do not get funded, and they are the programs that really do the most to keep people from going back. Mr. O'Donnell, would you be able to add a little to that?

Sean O'Donnell:

That is absolutely right. Originally the bill was written with text that would provide additional funding for detoxification and treatment, again looking at that acute care model, and our hope was, because prevention, intervention, and treatment already receive so much funding, that there would be more funding available for those community-based services on the back end. So once someone is stabilized and goes through that continuum of care, they could come out on the other end. More programs would be available for them to start to rebuild their lives, connect with a community of other peers, partner and work within workforce development programs, and receive transportation assistance. All these things are not typical community-based services that clinical treatment providers provide.

I also wanted to make a correction to an earlier statement I made. When I said there are two organizations currently doing this work, I want to clarify that there are two organizations I am aware of that consider themselves recovery community organizations (RCOs). But there are many other organizations in this state that are providing these community-based peer recovery support services that I believe would be eligible to receive this funding as well. When DPBH is on the call, they can clarify that.

Chair Cohen:

Dr. Woodard is here with us now on the Zoom call. Dr. Woodard, I do not know if you heard the last portion, but can you clarify that?

Stephanie Woodard, Senior Advisor on Behavioral Health, Division of Public and Behavioral Health, Department of Health and Human Services:

Let me make sure I understand the question. The question was, are there some significant limitations this would pose for the Division [DPBH] because of the requirement that the dollars go to recovery and recovery communities. Is that correct?

Chair Cohen:

Yes, although I would say more specifically the way it is written in the amendment [\[Exhibit D\]](#). So it is not just the recovery realm but the peer recovery support services by recovery community organizations.

Stephanie Woodard:

I do not think so. One of the important things about the funding that would be allocated through these dollars is that while some of our grants do, and absolutely encourage, the use of those funds for recovery support services, what this would do would be to allow us to have some real sustainability on the back end of some of those grants. As you know, many of the grants that we get tend to be in two- to three-year allocations without a lot of sustainability on the back end. So having these funds specifically available to continue some of the great work that we can initiate with some of our grant funds, to ensure we do not lose these programs when we lose grant funding, would be vitally important, especially because so many individuals really do come to depend on the assistance of these services in the community.

Chair Cohen:

We appreciate your being here today. Before we go to questions for you, do you have a statement you would like to make or any other information you would like to give us?

Stephanie Woodard:

I believe there were some other questions earlier when I was unable to get through on the phone. I am happy to answer any of those questions now.

Assemblywoman Anderson:

How are grants decided upon at this time through your Division? Are they done competitively? Are they done based upon locale? Is it a consideration of need and also past practices? Basically, if this were to get through, how would the grant be awarded?

Stephanie Woodard:

Some of it depends on the federal funding and what is stipulated by the federal government in our Notice of Funding Opportunity and our award. For the most part, what ends up happening is the state is required to have a state plan where we identify, using data, where some of the greatest needs and gaps are. Certainly that includes doing a crosswalk to

Medicaid, to ensure that we are funding to services that are not duplicative of what Medicaid covers, or we are funding services that are covered by Medicaid for those who are uninsured or underinsured. That is typically the way that we gear our funding.

In addition to that, we do competitive notices to the community. Certainly government entities are also eligible, most of the time, to compete for these dollars. We typically roll out competitive RFAs [Request for Application] by funding stream to ensure we are soliciting the most competitive applications available to meet the needs in the communities.

Assemblyman O'Neill:

Do we have Legal Division, LCB here with us today? I was thinking maybe I should recuse myself from some of this since I do sit on the board for the Salvation Army and could be involved in requesting or applying for these grant monies.

Chair Cohen:

We do not have Legal with us but we are not taking any action today. That is something you can discuss with Legal before any further action is taken.

Assemblyman O'Neill:

The Salvation Army is considered a faith-based organization. Do you think we qualify, or would we be exempt because of that?

Stephanie Woodard:

Actually, over the last few years one of the requirements for some of our federal funding is to ensure that faith-based organizations are not only included in the planning but are eligible for funds. There are no current restrictions on faith-based organizations making use of this specific fund of money. So unless the Legislature decided to stipulate some type of limitation in the statute, at this point faith-based organizations would be eligible if they met other criteria that were stipulated in the statute, including being able to be certified as a recovery community.

Assemblyman O'Neill:

I greatly appreciate that. Chair, when we get Legal back, I will ask them and possibly recuse myself from any vote.

Chair Cohen:

I would suggest you not wait until we have Legal at a hearing. You can reach out to them whenever it is convenient for you. I see no other questions from members of the Committee. Assemblywoman Dickman, do you have anyone else who is testifying today or can we go to those in support?

Assemblywoman Dickman:

Going to support would be fine with me.

Chair Cohen:

We will hear from those in support. [There was no one.] Is there anyone in opposition? [There was no one.] Is there any in neutral? [There was no one.] Assemblywoman Dickman, would you like to make any closing remarks?

Assemblywoman Dickman:

Thank you for taking the time to hear this important legislation. I would also like to thank Dr. Woodard and Mr. Guindon for their help in figuring out how to pull this bill together, and I especially want to thank Mr. O'Donnell. I learned a lot about this issue several months ago, and he has been incredible in helping me understand the needs that we have. I believe that offering these services to those who need them most is the best way to help them get back on their feet and living the best lives they can, with the added benefit of being beneficial to the state and the behavioral health system as a whole. I also want to take a moment to recognize all the people who offer these services and for the amazing work they do every day to help struggling Nevadans. I hope we can find a way to make this work.

[[Exhibit H](#) was submitted but not discussed and is included as an exhibit for the hearing.]

Chair Cohen:

I will close the hearing on [A.B. 370](#) and open the hearing on [Assembly Bill 435](#), which revises provisions governing the commerce tax. Welcome, Steve Hill and Bethany Khan. Please go ahead when you are ready.

[Assembly Bill 435](#): Revises provisions governing the commerce tax. (BDR 32-1049)

Steve Hill, President/Chief Executive Officer, Las Vegas Convention and Visitors Authority:

I appreciate your hearing this bill today and allowing me to present it. You will hear from some supporters later and I want to thank them for their work on this bill as well, in particular, the Culinary Workers Union and the work they have done on this. It is a very short and straightforward bill, so I will try to be short and straightforward in my presentation.

As you all know, the commerce tax was passed in the 2015 Session [[Senate Bill 483 of the 78th Session](#)]. I was a part of that process, testifying on that bill. During the planning of that bill, at least from the Executive Branch, there was a recognition that the meetings and convention industry was exceptionally important to Nevada, and that was really what generated the inclusion of paragraph (n) in section 1, subsection 2 of [Assembly Bill 435](#) into that language. The intent at the time was to ensure that those who participated in a trade show, meeting, or convention were not subject to the commerce tax.

Since that time, it has shown that the language has not been clear enough, so all the stakeholders in that process can read the language and read it the same way. Our attempt here is simply to clarify that language so that all involved understand how that paragraph [section 1, subsection 2, paragraph (n)] should be implemented. We are really asking to define more clearly who falls under the definition of a person and what falls under the

definition of an exhibition. We are also removing the language around the business license, which has really turned out to be more a piece of confusion rather than helping with the clarity of that language. Some participants in a trade show do have a business license in Nevada for other reasons, so that has caused a bit of confusion as well and, in our opinion, is frankly not necessary to carry out the intent of this paragraph.

The importance of this industry—the meetings, conventions, and trade show industry—was certainly recognized prior to the pandemic, but the pandemic has really shown how important that industry is to both the economic and fiscal health of the state and many of its citizens. As you may be aware, we have virtually relied entirely on the leisure traveler since the pandemic started. You can see the difference in occupancy with just leisure travelers here between weekends and weekdays. That difference has been pretty consistently about 30 percent occupancy difference regardless of the health of the market. So when things were at their worst, we could have weekends in the 45 percent to 50 percent range and weekdays could be in the 15 percent to 20 percent range. Now that things are healthier, both physically and economically, weekends are pretty strong. Friday and Saturday nights are seeing weekends back into the 80 percent-plus range, but the other five days of the week are still in that 50 percent range. That difference is due to not having meetings and conventions currently in the destination. We hope that starts to pick up. We know that it will as we move into May and June, but that segment of our visitation will take longer to recover, and that segment is exceptionally important.

It brings billions of dollars in economic impact. It brings hundreds of millions of dollars a year in tax revenue, both at a state and local level. It is responsible for tens of thousands of jobs. The recovery of that industry is very important to us, and we want to ensure there are no obstacles in the way of that industry recovering. That is the extent of the bill and the rationale behind it. I am happy to answer any questions the Committee may have and would appreciate your support of what we think is an important bill.

Chair Cohen:

Is Ms. Khan going to speak first or do you want to start with questions?

Steve Hill:

I am happy to wait until Ms. Khan speaks.

Bethany Khan, Director of Communications & Digital Strategy, Culinary Workers Union Local 226:

The Culinary Union supports A.B. 435. Nevada is slowly recovering from this unprecedented COVID-19 pandemic. Hospitality workers are now eligible for the COVID-19 vaccine and we have seen tourism levels increase. Thousands of Culinary Union members were furloughed from their jobs—98 percent of the 60,000 members we represent were furloughed from their jobs for months. As of today, only about 50 percent of the 60,000 members we represent are back to work. As tourism and visitation rates increase, we hope to see more workers return to work because the economy can never fully recover

without workers being back to work. The Culinary Union is optimistic the economy will recover with the help of legislation such as A.B. 435, which will support the number one industry in Nevada—hospitality. We urge you to support and pass A.B. 435.

Assemblyman Yeager:

I was in the building in 2015, but not as an elected official. I obviously knew discussions around the commerce tax were happening, but I was not intimately involved in them. The existing language was vetted through that process, and I understand we are wanting to make some changes, and it sounds like mostly due to the need to have an economic recovery on the Strip and get people back to work, which is certainly a laudable goal. Could you shed more light beyond that goal, which again is a good one, and why we did not include these sorts of exemptions in the original commerce tax bill. Do you have insight on that? I know we are talking six years ago, but shedding light on that for me would help me understand what we are trying to do with this bill.

Steve Hill:

I can shed light on the intent that was put forward by the Executive Branch. Once it gets to the Legislature, I do not want to speak for the 63 legislators who were there at the time. It was our intent that what we are recommending today was really what was said in the paragraph [section 1, subsection 2, paragraph (n)] at the time. Since then, over the last 18 months or so it has been questioned and shown that we were apparently not clear enough with the language to express the intent from 2015. We are really not trying to change the intent, at least what the Executive Branch was looking at in the 2015 Session.

Chair Cohen:

For clarity, you are saying this was the intent of the Executive Branch and you are not speaking for the Legislature at the time.

Steve Hill:

That is correct.

Assemblywoman Considine:

I was not here in 2015, either, so I am looking at the situation that we are in right now and the budget right now. Do you have an estimate of how much revenue would be lost if this bill passed?

Steve Hill:

We do not have that estimate. I should explain that this tax has not been collected over the last six years from this industry in keeping with what we think the intent of that bill was. Questions have come up around that, so that conversation is happening now. From looking at historical revenue that has been generated by the commerce tax, and your Fiscal Analysis Division, Legislative Counsel Bureau (LCB) staff can certainly verify this or correct me, but in looking at what has been collected and what has been budgeted into the next year, I do not think this bill would have an impact on the Economic Forum process. But we really do not know the specific amount of this tax because it has not been collected.

Assemblywoman Considine:

So I am clear, it has never been collected so it is not having any effect on the budget.

Steve Hill:

I guess it depends on how you ask that question. If it were to be collected in the future, there would obviously be revenue as a result of that. I will say that given the importance and size of this industry and the fiscal impact it has in generating tax revenue in any number of different ways, I think even losing a small portion of that industry here in Nevada would pretty easily offset the level of taxation.

I will give you one example. One of our largest customers, and the largest show organizer in the world, is in this conversation right now. They bring about half a billion dollars a year in economic impact. I do not know exactly what that translates into in other taxes, but the tax bill for them for that same time frame for the commerce tax is about \$130,000.

Assemblyman Roberts:

Basically it is my understanding that this tax has never been collected on these folks at all, and I would concur with Mr. Hill that for us to recover, we really need that midweek travel and we definitely do not want to deter because we are competing with states such as Texas and Florida for convention business. My question to you is, do those states add this tax to their conventioners?

Steve Hill:

No, they do not, and I think that was one of the considerations in 2015. We do not want to poke this industry in the eye at this point, did not then, and I think even more so now. In consideration of the fact that they are here on a very temporary basis and then leave, and provide such meaningful economic impact, job creation, and tax generation already, I think that was part of the rationale then and it is more important now.

Assemblyman Roberts:

It certainly makes sense. I will support you in this endeavor.

Chair Cohen:

Other states have taxes we do not necessarily have that would affect a company that is producing a trade show, et cetera, right?

Steve Hill:

Every state's tax structure is somewhat different, yes.

Assemblywoman Bilbray-Axelrod:

The folks you put in here to be part of the exemption, we have never taxed them for the last six years. I am questioning why. Was that a determination by the Department of Taxation? Was there a legal question that brought that? Is the intent of this bill just to clarify that yes,

they are supposed to be in this category and that they are exempt? If there is this ambiguity, I am questioning maybe they should be included. Who made the determination they were not going to be taxed?

Steve Hill:

The interpretation that we feel the original language in the law called out has been interpreted by the industry throughout those six years as excluding them from this form of tax. The Department of Taxation called that into question a few months before the pandemic, and it was kind of put on hold through that process. That is an open question right now. We are looking to clarify that and make sure everyone involved in that conversation shares an understanding of what that paragraph says.

Assemblywoman Bilbray-Axelrod:

Was there any litigation or was it an internal conversation with the folks who make those decisions?

Steve Hill:

My understanding is that the Department of Taxation's auditor determined, at least with this one company, they owed this tax. The company is appealing that decision, and that process is ongoing.

Chair Cohen:

Mr. Hill, that one company does have conventions scheduled in Las Vegas for the next year or two now, correct?

Steve Hill:

Yes, they do.

Assemblywoman Benitez-Thompson:

I want to make sure I am understanding some things. This is really specific when you are talking about the description in paragraph (n) [section 1, subsection 2, paragraph (n)]. When we set up the commerce tax, we were very careful to try to line up everything by NAICS [North American Industry Classification System] codes. When we are looking at this, are we considering everyone who is in that 561 NAICS code?

Steve Hill:

I would need to look at those codes again to really answer your question correctly, but I can do that.

Assemblywoman Benitez-Thompson:

I will ask Legal Division, LCB, or our Fiscal staff to let me know if we wander into any proprietary area [unintelligible]. I do not want to do that, but I have heard a couple of things that I wanted to ask questions about. I thought I heard you reference \$135,000. I think you meant this as an assessment of the commerce tax.

Steve Hill:

That was the example for that one company.

Assemblywoman Benitez-Thompson:

I am trying to think of scope here. That is why I asked about the NAICS code. I am trying to figure out if we are talking about one particular taxpayer or about a whole class of taxpayers under NAICS Code 561. I do not have a way to judge the impact or the breadth of what this would be without some help in understanding. Should I be thinking about one taxpayer or a class of taxpayers?

Steve Hill:

This would apply to all those companies in the meeting and convention industry.

Assemblywoman Benitez-Thompson:

I may want help from Fiscal staff on what that looks like, just so we have a good idea of what that would look like for the state to say, clearly with this code, you would be exempt from this. Maybe right now we have a mix and that code is larger than we are thinking. I just wanted to ensure we are looking at our statute language and the codes, and how congruent they are.

My other question is to that example of \$135,000 of commerce tax due, working the math backwards. Our Fiscal staff included a table on the commerce tax for the members of the Committee. This was something they have done for us before—they give us tables to help us think about what a number means and what the tax might be. That would mean for the one company more than \$92 million in taxable revenue within the year. Is that right?

Steve Hill:

Yes, that is correct.

Assemblywoman Benitez-Thompson:

So we specifically want to say we do not want to apply that concept of a commerce tax on economic benefit for that company that would do more than \$92 million of gross revenue business in a year.

Steve Hill:

I am not sure I understand the exact question, but yes, the tax would not apply regardless of the size of the company. There are lots of different variants; this is one of the largest.

Assemblywoman Benitez-Thompson:

In listening to the hearing, I, too, asked about the legislative history because as you may remember, there were a couple of different tax proposals—I think four big different tax proposals—and I want to say I sat through more than 30 hours total of tax hearings among tax proposals that year. The great thing about the legislative record is it is not just one individual person's recollection. Knowing that we saw so many different versions, I think it is a fair question to ask, was paragraph (n) [section 1, subsection 2, paragraph (n)]

written as contemplated? It would be helpful for Fiscal staff to let us know what the legislative record reflects, the dialogue and conversation on this paragraph. It would be helpful for me in my recollection of things.

I have been sensitive to other legislation where we talk about changes to the commerce tax because the effective tax rate is very low, and we made it that way on purpose, thinking if we passed a broad net across multiple taxpayers—taxpayer codes for this commerce tax—we can keep the rate very low. Was the issue with paying the assessment or with the rate? Would you be able to tell me more about the specific consternation? If it is one particular taxpayer's concern, I do not necessarily want you to have to "out" anything proprietary.

Steve Hill:

Our viewpoint is that we are not changing the law as it is written, we are just clarifying it. The industry—and it is a broader concern than just a single company—has viewed it that way. That is how we have read that paragraph for the last number of years. Imposing a tax on them now, in the middle of what has been the worst situation—having not been able to generate revenue in the past 12 to 13 months—I think sends the wrong message from the state when we are in desperate need of that industry recovering right now.

Assemblywoman Benitez-Thompson:

It sounds like there was a tax assessment, and I thought I heard you say it is playing out through the taxation process where a taxpayer disputes an assessment they have received. If I am right with what I remember, those audits on taxpayers are typically running a couple years behind. This will make a difference for me. If we have an industry that says they are caught up in this pandemic just like everyone else, and in the past year we have experienced incredible loss, they are now being assessed this tax and that will really hurt their bottom line despite the fact they are doing \$92 million in gross revenue of business. That is not reflective of where we are right now for the next couple of years—or if this assessment is coming from pre-pandemic and we are looking at a legacy audit issue or a legacy discrepancy issue.

Steve Hill:

This period of time was pre-pandemic.

Assemblywoman Benitez-Thompson:

Those are all the questions I had. Some of my other questions are more to the process and might be more relevant for the Department of Taxation. I appreciate being able to ask those questions to ensure I clearly understand as much as I can on this.

Chair Cohen:

You mentioned checking something with our Fiscal staff. Do you have any questions for them before we move on to the next Committee member?

Assemblywoman Benitez-Thompson:

It would be for some clarity on the legislative record since it is never one person's individual recollection. It is not going to be my recollection. In a body of 63 people, it is always

interesting to know what the legislative record is. I did not know if they could point me to a specific record or piece of either a committee hearing or Committee of the Whole hearing where I could look at what the dialogue was.

Russell Guindon, Principal Deputy Fiscal Analyst:

I will attempt to provide you information, as your Fiscal staff, after seeing the bill and looking at the issues from the 2015 Session when the commerce tax was established in S.B. 483 of the 78th Session. I am just going to refer to it as paragraph (n) that is in the provisions as being excluded as a business entity for the purposes of the commerce tax.

In looking back, the first time the Legislature saw that type of structure—the commerce tax as in Chapter 363C of *Nevada Revised Statutes* (NRS)—was in a proposed amendment to Assembly Bill 464 of the 78th Session as a mock-up [Mock-Up, Proposed Amendment 7519 to Assembly Bill No. 464]. That was heard in a joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means on May 25, 2015. That mock-up was prepared on May 20, 2015. That version of the mock-up for the commerce tax did not have paragraph (n) in it.

Going forward into the timeline of that session, there was a proposed amendment to Senate Bill 483 of the 78th Session done on May 31, 2015. That proposed amendment had paragraph (n) [Amendment No. 1039]. The hearing was the Assembly Committee of the Whole on May 30, 2015. In listening to the presentation by Jeremy Aguero and others, there was no mention or statement regarding paragraph (n) being added to the bill between the May 20, 2015, mock-up and the amendment brought forward on May 30, 2015. On May 31, 2015, it was a formal floor amendment with paragraph (n) in it, and that was the version adopted by the Assembly that went to the Senate for concurrence in S.B. 483 of the 78th Session. That is what I can provide to you as your Fiscal staff. As for having any [unintelligible] action as your Fiscal staff as to paragraph (n) going into the bill and what the intent is, your Fiscal Analysis Division staff does not have the ability to comment on that. It was a paragraph that went into that version of the bill, but as to what the actual intent was, as your Fiscal Analysis Division, staff I do not have the ability to provide clarification or not on that issue.

Chair Cohen:

Thank you for that information. We will now continue with questions.

Assemblywoman Kasama:

A lot of my questions have been answered with questions members of the Committee have already asked. It looks like this was perhaps the original intent. This looks like it is a cleanup to make it clear so we do not have those issues.

Chair Cohen:

Before we go forward, do we have any more questions for Mr. Hill? [There were none.] As there is no one else in your presentation, we will go to those in support. We have the Department of Taxation here and we will save questions the members of the Committee may have until we get into neutral. We will now hear from the first person in support.

Matthew Griffin, representing MGM Resorts International:

I am calling in today to express our support for this bill. As some of you may recall, MGM was very supportive of the commerce tax in 2015, and as part of our support, it was our understanding then, as it is today, that our support was based, at least in part, on the idea we were not going to be taxing conventions so the industry could maintain a competitive advantage in Nevada. Also, we were more comfortable with the idea of using the taxes generated through sales tax, slot tax, room tax, et cetera, for the revenue from those conventions.

In 2015 it was our understanding that in exchange for that exemption of the slot tax, our property and all the other resort properties that do host conventions in the state of Nevada also agreed to pay a flat fee for hosting those conventions, so the properties themselves would provide a tax to the state of Nevada under the commerce tax as opposed to convention properties themselves. For this reason and a myriad of other reasons, we did support the commerce tax and still do support the commerce tax.

Chair Cohen:

Mr. Griffin, you mentioned a flat fee. Can you give us a little more information about that?

Matthew Griffin:

I do not have the statute in front of me, but there is a flat fee assessed on all resort properties that are hosting conventions under the commerce tax. That provision was included in the original bill. Perhaps Mr. Guindon can help with that. I do not recall the exact section of the law it is in, but there is a flat fee for hosting a convention that is assessed upon the properties. I will try to get you the citation by the end of the evening.

Russell Guindon:

Mr. Griffin may be referring to the current statutory provision that was put in place after the 2003 Session, that in lieu of participants at these types of events having to have a business license, the person who has the facility could pay a flat fee in lieu of those people paying a business license fee.

Matthew Griffin:

Yes, that is the provision. As I recall, in 2015 the discussion was that provision would remain in effect, under the commerce tax, because the liability of the commerce tax is attached based upon your requirement to get a business license fee. I believe the statute is NRS 360.780.

Chair Cohen:

We will hear from the next caller in support.

Jesse Wadhams, representing Reno-Sparks Convention and Visitors Authority:

We appreciate the work of Mr. Hill and Ms. Kahn. We are pleased to stand in support of A.B. 435 and our partners at the Las Vegas Convention and Visitors Authority (LVCVA).

Chair Cohen:

We are familiar with Las Vegas and the convention industry there, but I do not know if any of us are familiar with the Reno-Sparks conventions. Are they reaching that \$4 million level?

Jesse Wadhams:

I do not have that information but am happy to get it for the Committee.

Paul Moradkhan, Senior Vice President, Government Affairs, Vegas Chamber:

The Chamber is in support of A.B. 435. From our recollection of the 2015 Session, we believe it provides clarity to what we believe was the original intent of the commerce tax as it applies to trade shows and events. We agree with the remarks made by Mr. Hill from the LVCVA and believe this clarification is important to supporting our tourism and convention industry as part of our economic recovery.

Virginia Valentine, representing Nevada Resort Association:

I am president of the Nevada Resort Association. We represent 76 resort hotels across the state. I am here today to speak in support of A.B. 435. As Ms. Kahn mentioned, trade shows and conventions create jobs, and as Mr. Hill said, meetings and trade shows bring millions of visitors and fill rooms midweek. The economic benefits of meetings and trade shows contribute directly and indirectly to the state's economy. As you know, resorts were completely closed for 76 days last year. There have been no meetings and no conventions since closure. Please support this bill because we believe this clarifying language will remove one small but important barrier to our recovery. In closing, meetings and trade shows are extremely important to the resort industry, the Nevada economy, our recovery, and bringing back jobs. We urge you to support this bill to clarify the commerce tax.

Chair Cohen:

We will hear from the next person in support. [There was no one.] We will now hear from those in opposition. [There was no one.] We will now hear from those in neutral. [There was no one.] Director Young, before you take questions, do you have any comments you would like to make?

Melanie Young, Executive Director, Department of Taxation:

The Department of Taxation is neutral on this bill. I am available for questions.

Assemblywoman Benitez-Thompson:

I was trying to remember how tax audits work and the time frame for them. I thought I heard Mr. Hill put on the record that there was a concern by one individual taxpayer. If there are more, I do not know. Are we talking about an individual company or a class and a group of companies? From Mr. Hill's response it sounded like just one individual company. His response was that this issue was pre-pandemic.

I believe we started assessing the commerce tax in 2016. It passed in 2015 and I think we gave the Department of Taxation 34 staff to start it, so did we start collections in 2016 or 2017?

Melanie Young:

I would like to make one comment. Pursuant to NRS 360.255, any testimony I provide today will not be related to the situation Mr. Hill is talking about. The Department of Taxation [Department] protects that information and it is confidential. I wanted to ensure it is clear if the Department provides testimony that it will be broad as an example but should not relate to the current situation Mr. Hill was speaking about.

Assemblywoman Benitez-Thompson:

I appreciate that. So is it correct we started assessing and collecting the commerce tax in 2016?

Melanie Young:

That is correct, in 2016.

Assemblywoman Benitez-Thompson:

So to date we have had fiscal year (FY) 2016—or a portion of it—FY 2017, FY 2018, FY 2019, and FY 2020, and FY 2021. We have had this in place now for about five and one-quarter years. Has the Department changed its administration of the tax? There have been no policy changes. Is there anything we should know or hold into consideration regarding how the Department has assessed this tax in general?

Melanie Young:

Are you asking if the Department has changed its interpretation of the commerce tax section of Chapter 363C of NRS?

Assemblywoman Benitez-Thompson:

Yes.

Melanie Young:

The Department has not changed its interpretation of Chapter 363C of NRS.

Assemblywoman Benitez-Thompson:

Whatever assessment procedures were in place for 2016, have they stayed the same from then to 2020?

Melanie Young:

Are you specifically talking about procedures or specifically to paragraph (n) [section 1, subsection 2, paragraph (n)]?

Assemblywoman Benitez-Thompson:

Paragraph (n).

Melanie Young:

We have not changed our interpretation of paragraph (n).

Assemblywoman Benitez-Thompson:

Would you be able to tell me how many taxpayers are generally within this NAICS code? It is a big business in Las Vegas. We are not here to argue that point, but I would like to get that quantified. Are we talking about 30 groups right now that are registered with that particular NAICS code? I do not have an idea.

Melanie Young:

Under the commerce tax, the NAICS codes used are at a very high level. Most of them are two digits or three digits, and some of those are very broad, high-level NAICS codes. Specific to this industry, the NAICS code is 561, and that is for administrative and support services. Under that [unintelligible] very broad, as I said, group for that number of taxpayers. The Department has hundreds, and I think the last time I checked it was in the realm of the high 300 to 400 taxpayers who report under that NAICS code. To narrow it down to the convention and trade show organizers, the NAICS code would be 561920. The records I have go back to 2017 and we have in the range of 8 to 13 taxpayers that report under that NAICS code now.

Assemblywoman Benitez-Thompson:

So as of last session we put a law in place [Senate Bill 497 of the 80th Session] that said if you have less than \$4 million in gross revenue and taxes, you are not subject to the commerce tax, you no longer have to fill out the report and report to the Department of Taxation. So of those 8 to 13 that are reporting, are they doing more than \$4 million in gross revenue throughout the year?

Melanie Young:

I do not have the details of whether they are under or above the \$4 million threshold. Those are just ones we have registered with the Department. When that legislation was passed last session, not every business closed down their commerce tax account.

Assemblywoman Benitez-Thompson:

These questions are important to me because obviously we left an incomplete record on this. I heard one legislator say it sounded as if we meant to do this and that is not my recollection. As we were participating in the hours and hours of hearings, we were talking so much about NAICS codes and about industries, and you can imagine that there were quite a lot of people

who made cases about why their NAICS code or their specific subsequent category NAICS code should be in or out. I reference those hearings quite a bit to remind myself of what our goal was with this because it does not seem we had a dialogue on this.

I want to ensure we have a dialogue now, so if we were absent or vacant of a legislative record from 2015, let us go ahead and ensure we have a record now with clear intent. I appreciate your answering those questions because I think it will help future legislators when they come back and have to address similar types of questions. I know you cannot answer much more because it sounds like there are some ongoing issues or discrepancies, but can you quantify for me if there is an issue with one taxpayer or am I thinking of 13 taxpayers. Is that something you can tell me?

Melanie Young:

Unfortunately, I am unable to answer that question.

Assemblywoman Anderson:

I am not sure if this would be for Director Young or our Fiscal staff when it comes to a specific comment that was said in the [unintelligible], when it came to the flat fee. I am trying to understand that information. Also, when I take a look at paragraph (n) [section 1, subsection 2, paragraph (n)], with the proposed language change of that paragraph, "an organizer, manager or sponsor of such an event or an exhibitor at such an event," sometimes the convention centers are actually the managers of those, or even the ones that go out to try to organize them. Is there a possible conflict between keeping the flat fee for events but then later in the language for the paragraph basically making them exempt?

Melanie Young:

This is what we call the exhibition facility fee. That fee was put into place in 2005 at the 22nd Special Session [Senate Bill 3 of the 22nd Special Session]. The way that fee works is it is a flat fee of \$5,000 the facility pays for those vendors who are attending the exhibition who do not have a state business license. There is an alternative fee that could be paid, which is a little more complicated calculation. It is \$1.25 a day for each day someone who does not have the business license participates, which the exhibition location would pay on behalf of those vendors. Hopefully that clarifies the question. I would have to defer on the rest of your questions.

Assemblywoman Anderson:

Thank you for clarifying where the flat fee comes from. This language would not take away that flat fee, correct?

Russell Guindon:

I am trying to sort through the context of the provisions in NRS 360.780 in relation to the commerce tax, as a flat fee for the conventions, other than you see it being used as a reference in paragraph (n), as we are hearing here, to exclude participants from the events. As Director Young stated, in the 2003 Special Session we established the business license fee that we have today.

There was an interim study after the 2003 Session of which I staffed, and out of that came the recommendation to establish the provisions in NRS 360.780. Those provisions were to say rather than having to worry about people who would come to these conventions, trade shows, and exhibitions trying to get a business license, in lieu of that the event sponsor could pay this flat fee. That is the flat fee being referenced here. It was put in place in 2005 to try to deal with that issue.

It is my recollection that this proposal was actually brought forward by staff from the LVCVA from that interim study. To take that flat fee and have this association with the commerce tax, as your Fiscal staff, I do not have the ability to comment on that as something I was aware of as part of the discussions during the 2015 Session. I cannot say that it did not occur. I am just saying, as your Fiscal staff involved in the commerce tax in the 2015 Session, the association between these provisions, other than the reference used for these provisions based on what Legal drafted—I assume from what information they were provided—to draft paragraph (n) as you see it existing in the commerce tax that was approved in 2015. As your Fiscal staff I am not aware of any requests for it to be amended in the 2017 or 2019 Sessions. I do not know if that provides much clarification but I hope it may.

Assemblywoman Anderson:

It provided a huge amount for me because it tells me I was not the only one who was not following all that.

Assemblywoman Benitez-Thompson:

This question is for Mr. Hill. I think there is a sensitivity to this. I think there is the thought of, here is an industry that has been hit particularly hard by the pandemic. I think there is a sensitivity to getting things going again for Clark County. Help me think about this.

Are we thinking about short-term help because there is an industry that needs it, or are we talking about more of a long-stemming issue with a taxpayer, or group of taxpayers, who are more or less offended by the tax? Do you understand what I mean? I am trying to figure out how I contextualize pieces of the conversation. If it is the latter, then I think there are more things we can do. If it is about the idea of trying to adjust what taxes and fees are, then I think that is a different path. I also have the sensitivity to the State General Fund. We have had these conversations about how we are going to have to cut services to the blind and cut services to foster care. For me, I am not understanding if we are talking about one taxpayer or a class of taxpayers. I do not know what the impact of this would be for future revenue coming into the State General Fund. Does it have to be a General Fund connection?

Steve Hill:

Our request with this bill is to clarify language we think has had this intent all along. It is intended to be a permanent clarification. It is not intended to solve an interim issue because of the pandemic. It would apply to all the taxpayers in that industry.

Chair Cohen:

Are there any further questions from the members of the Committee? [There were none.] I will now invite Mr. Hill and Ms. Khan back to give your closing statements.

Steve Hill:

I want to thank you and the members of the Committee for your thoughtfulness and willingness to hear this bill today. I am available to answer any questions you may have as we move forward. I want to thank the other organizations that have been involved in this important bill, and specifically Ms. Khan and the Culinary Workers Union for their help.

Bethany Khan:

Thank you for considering the bill. I appreciate all your hard work. I urge you to support and pass this legislation.

Chair Cohen:

I will close the hearing on A.B. 435 and open the hearing for public comment. [There was none.] Are there any other comments from the members of the Committee? [There were none.]. We will have hearings on Tuesday and Thursday, including work sessions. We are adjourned [at 6:10 p.m.].

RESPECTFULLY SUBMITTED:

Gina Hall
Committee Secretary

APPROVED BY:

Assemblywoman Lesley E. Cohen, Chair

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

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

[Exhibit C](#) is written testimony submitted by Assemblywoman Jill Dickman, Assembly District No. 31, regarding Assembly Bill 370.

[Exhibit D](#) is a proposed amendment to Assembly Bill 370 submitted by Assemblywoman Jill Dickman, Assembly District No. 31.

[Exhibit E](#) is written testimony submitted by Sean O'Donnell, Executive Director, Foundation for Recovery, regarding Assembly Bill 370.

[Exhibit F](#) is a table titled "Excise tax of liquor in NRS 369.330 based on actual data reported by Department of Taxation for FY 2020," dated January 26, 2021, submitted by Assemblywoman Jill Dickman, Assembly District No. 31, regarding Assembly Bill 370.

[Exhibit G](#) is a document titled "National Analysis of Peer Support Providers: Practice Settings, Requirements, Roles, and Reimbursement," dated August 2019, submitted by Assemblywoman Jill Dickman, Assembly District No. 31, regarding Assembly Bill 370.

[Exhibit H](#) is a document titled "A.B. 370 - Peer Recovery Support Services," submitted by Assemblywoman Jill Dickman, Assembly District No. 31, regarding Assembly Bill 370.