MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON REVENUE

Eighty-Third Session
April 10, 2025

The Committee on Revenue was called to order by Chair Shea M. Backus at 4:43 p.m. on Thursday, April 10, 2025, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 1 of the Nevada Legislature Hearing Rooms, 7120 Amigo Street, Las Vegas, Nevada. Copies of the minutes, including the Agenda [Exhibit A], the Attendance Roster [Exhibit B], and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/83rd2025.

COMMITTEE MEMBERS PRESENT:

Assemblymember Shea M. Backus, Chair
Assemblymember Venicia Considine, Vice Chair
Assemblymember Reuben D'Silva
Assemblymember Tanya P. Flanagan
Assemblymember Danielle Gallant
Assemblymember Heather Goulding
Assemblymember Ken Gray
Assemblymember Gregory T. Hafen II
Assemblymember Duy Nguyen
Assemblymember PK O'Neill
Assemblymember Erica P. Roth

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblymember Gregory S. Koenig, Assembly District No. 38
Assemblymember Natha C. Anderson, Assembly District No. 30
Senator Dina Neal, Senate District No. 4

STAFF MEMBERS PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst
Susanna Powers, Deputy Fiscal Analyst
Kathryn Dodge, Committee Manager
Gina Hall, Committee Secretary
Cheryl Williams, Committee Assistant

OTHERS PRESENT:

Eddie Ableser, representing Academica Nevada
Sarah Adler, representing Coalition of Independent Public Charter Schools of Northern Nevada; and Private Citizen, Carson City, Nevada
Jessica Barlow Daniels, Executive Director, Carson Montessori Charter School
Amy Shogren, representing Opportunity 180
Nicole Rourke, Director, Government Affairs, City of Henderson
Wesley Harper, Director, Government Affairs, City of North Las Vegas
Gil Lopez, representing Charter School Association of Nevada
Ignacio Prado, Executive Director, Founder, and Principal, Futuro Academy Charter School
Alexander Marks, representing Nevada State Education Association
Andrew Clarke, representing New Day Nevada
Ryley Svendsen, Policy Specialist, Nevada Coalition to END Domestic and Sexual Violence
Randy Robison, Director, Government and Community Affairs, City of Las Vegas
Douglas Unger, Professor, University of Nevada, Las Vegas Chapter President, Government Relations, Nevada Faculty Alliance
Christian Solomon, West Regional Director, RISE
Paul J. Moradkhan, Senior Vice President, Government Affairs, Vegas Chamber
Becky Dutro, Government Affairs Analyst, Nevada Taxpayers Association

Chair Backus:
[Roll was taken, and Committee rules and protocol were reviewed.] Welcome, everybody in Carson City. We are having technical difficulties with the Internet connecting to Las Vegas, as well as the phone lines. We are going to start off with the work session then go to Assembly Bill 435. With respect to the work session, I just want to let everybody know we are going to roll Assembly Bill 535. The presenter has an amendment I did not timely get over to our staff. We will make sure we get that amendment circulated to everyone for review before our work session tomorrow. Likewise, Assembly Bill 539 is also going to roll over to tomorrow. With that, I will go ahead and turn the work session over to Susanna Powers to go over Assembly Bill 100.

Assembly Bill 100: Revises provisions relating to economic development of regional commercial air service in this State. (BDR 18-140)

Susanna Powers, Deputy Fiscal Analyst:
The work session documents are available to the public on the Nevada Electronic Legislative Information System. Assembly Bill 100 was sponsored by Assemblymember Gurr and was heard on April 3, 2025, by this Committee [Exhibit C]. Assembly Bill 100 appropriates $10 million from the State General Fund to the Nevada Air Service Development Fund for conducting a study of the development of intrastate air service in the state and for making grants. The bill additionally requires that any money in the Fund at the end of a fiscal year be carried forward to the next fiscal year rather than reverting to the State General Fund.

There are three amendments:

1) A proposed amendment from Assemblymembers Gurr and Koenig. It adds Assemblymembers Koenig and D'Silva as primary cosponsors.

2) A conceptual amendment from Assemblymember Koenig adopts and incorporates the entirety of the provisions of Assembly Bill 293 into A.B. 100. This conceptual amendment revises the appropriation in section 2 of A.B. 100 from being deposited into the Nevada Air Service Development Fund created by *Nevada Revised Statutes* (NRS) 231.690 instead into the Nevada Aerospace Development Fund created by section 8 of this conceptual amendment.

3) An amendment from the Nevada Aviation Association:

   - Removes references to NRS Chapter 231. Retaining all other language and appropriations in A.B. 100.

   - Moves the Air Service Development Fund and Air Service Development Commission from the Office of Economic Development, Office of the Governor, to the Nevada Department of Transportation.

   - Creates the Office of Aerospace within the Department of Transportation, and giving the office authority over the Fund for Aviation, the Air Service Development Fund, and the Air Service Development Commission.

Assembly Bill 100 was denoted as being eligible for exemption by the Fiscal Analysis Division of the Legislative Counsel Bureau on February 10, 2025.

Chair Backus:
Do we have any questions for Ms. Powers or the bill sponsor on A.B. 100? [There were none.] I will entertain a motion to amend and do pass A.B. 100.

ASSEMBLYMEMBER D'SILVA MADE A MOTION TO AMEND AND DO PASS ASSEMBLY BILL 100.

ASSEMBLYMEMBER CONSIDINE SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

THE MOTION PASSED UNANIMOUSLY.

I will assign the floor statement to Assemblymember Gurr. I think this one is going to make a trip to the Assembly Committee on Ways and Means before it makes it to the floor because it has an exemption. Next on our work session is Assembly Bill 135. I will turn it over to Ms. Powers.

Assembly Bill 135: Revises provisions relating to certain tax exemptions for veterans and surviving spouses of veterans. (BDR 32-236)

Susanna Powers, Deputy Fiscal Analyst:
Assembly Bill 135 was sponsored by Assemblymembers Yurek and D'Silva and was heard on March 13, 2025, by this Committee [Exhibit D]. Assembly Bill 135 expands existing partial property tax and Governmental Services Tax exemptions for certain veterans to include their surviving spouses. The surviving spouse of a veteran who receives the veteran's exemption is not eligible for an additional exemption under existing law for surviving spouses. An individual who qualifies both as a veteran and as the surviving spouse of a veteran with a permanent service-connected disability may claim both the veteran's exemption and the exemption for surviving spouses of veterans with a permanent service-connected disability. No amendments were proposed. Assembly Bill 135 was denoted as being eligible for exemption by the Fiscal Analysis Division of the Legislative Counsel Bureau on February 16, 2025.

Chair Backus:
Members, do you have any questions? [There were none.] I will entertain a motion to do pass Assembly Bill 135.

ASSEMBLYMEMBER GRAY MADE A MOTION TO DO PASS ASSEMBLY BILL 135.

ASSEMBLYMEMBER GALLANT SECONDED THE MOTION.

Is there any discussion on the motion?

Assemblymember Considine:
Over the interim, we discussed revenue not keeping up with inflation. With the current state of our economy, the economic challenges we are facing, and the Commission on School Funding has also addressed challenges with our revenue, I will be voting nay on bills abating or negating revenue, including this one.

Chair Backus:
Is there any other discussion before we go to our vote? [There was none.]

> THE MOTION PASSED. (ASSEMBLYMEMBER CONSIDINE VOTED NO.)

I will assign the floor statement to Assemblymember Yurek. Next on our work session is Assembly Bill 226. I will turn it back over to Ms. Powers to walk us through the work session document.

Assembly Bill 226: Revises provisions relating to economic development. (BDR 32-690)

Susanna Powers, Deputy Fiscal Analyst:
Assembly Bill 226 was sponsored by Assemblymember Mosca. The bill was heard on March 11, 2025, by this Committee [Exhibit E]. Assembly Bill 226 requires businesses that apply for certain transferable tax credits and tax payments in Nevada to commit to a community benefits plan outlining the project's various impacts and actions to support the local community. The Office of Economic Development, Office of the Governor (GOED) is authorized to ensure compliance, and businesses found noncompliant must repay the full tax benefits with interest.

A conceptual amendment was submitted by Assemblymember Mosca to remove all language and add a checkbox to the GOED application that applicants will submit a community benefits agreement within two years of being approved for the abatement. This bill excludes the film industry.

Assembly Bill 226 was denoted as being eligible for exemption by the Fiscal Analysis Division of the Legislative Counsel Bureau on February 20, 2025.

Chair Backus:
Members, do we have any questions regarding the work session document? [There were none.] I will entertain a motion to amend and do pass Assembly Bill 226.

> ASSEMBLYMEMBER D'SILVA MADE A MOTION TO AMEND AND DO PASS ASSEMBLY BILL 226.
>
> ASSEMBLYMEMBER CONSIDINE SECONDED THE MOTION.

Is there any discussion on the motion?

Assemblymember Hafen:
I have a few concerns, especially with the amendment excluding the film industry but including everyone else. I will be voting no today, but when I see the final language, reserve my right to change my vote on the floor.

Chair Backus:
Any other discussion? [There was none.]

> THE MOTION PASSED. (ASSEMBLYMEMBERS GALLANT, GRAY, HAFEN, AND O'NEILL VOTED NO.)

I will assign the floor statement to Assemblymember Mosca. Next on our work session is Assembly Bill 243. I will turn it back to Ms. Powers.

Assembly Bill 243: Establishes certain partial tax exemptions for surviving spouses of members of the Armed Forces of the United States who were killed in the line of duty. (BDR 32-163)

Susanna Powers, Deputy Fiscal Analyst:
Assembly Bill 243 was sponsored by Assemblymembers Hibbetts and D'Silva and was heard on March 13, 2025, by this Committee [Exhibit F]. Assembly Bill 243 expands the existing partial property tax and Governmental Services Tax exemptions for certain veterans with permanent service-connected disabilities to include the surviving spouse of a U.S. Armed Forces member killed in the line of duty. No amendments were proposed. Assembly Bill 243 was denoted as being eligible for exemption by the Fiscal Analysis Division of the Legislative Counsel Bureau on February 24, 2025.

Chair Backus:
Members, do we have any questions regarding the work session document? [There were none.] I will entertain a motion to do pass Assembly Bill 243.

> ASSEMBLYMEMBER NGUYEN MADE A MOTION TO DO PASS ASSEMBLY BILL 243.
>
> ASSEMBLYMEMBER GRAY SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

> THE MOTION PASSED. (ASSEMBLYMEMBER CONSIDINE VOTED NO.)

I will assign the floor statement to Assemblymember Hibbetts. Next on our work session is Assembly Bill 359. I will turn it back over to Ms. Powers.

Assembly Bill 359: Proposes to exempt sales of certain coins, currency and bullion from sales and use taxes and analogous taxes upon approval by the voters. (BDR 32-147)

Susanna Powers, Deputy Fiscal Analyst:
Assembly Bill 359 was sponsored by Assemblymember Gallant et al. and was heard by this Committee on March 20, 2025 [Exhibit G]. Assembly Bill 359 requires the submission of a question to the voters at the November 3, 2026, General Election ballot asking voters whether to amend the Sales and Use Tax Act of 1955 to exempt certain coin currency and bullion sales from state and local sales and use taxes between January 1, 2027, and December 31, 2050. No amendments were proposed. Assembly Bill 359 was denoted as being eligible for exemption by the Fiscal Analysis Division on March 10, 2025.

Chair Backus:
Members, do we have any questions regarding the work session document? [There were none.] I will entertain a motion to do pass Assembly Bill 359.

> ASSEMBLYMEMBER GALLANT MADE A MOTION TO DO PASS ASSEMBLY BILL 359.
>
> ASSEMBLYMEMBER GRAY SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

> THE MOTION PASSED. (ASSEMBLYMEMBERS CONSIDINE, GOULDING, AND ROTH VOTED NO.)

I will assign the floor statement to Assemblymember Gallant. Next on our work session is Assembly Bill 362. I will turn it over to Ms. Powers.

Assembly Bill 362: Provides for taxes on the sale or transfer of a controlling interest in an entity which possesses an interest in real property. (BDR 32-687)

Susanna Powers, Deputy Fiscal Analyst:
Assembly Bill 362 was sponsored by Assemblymember Considine and was heard by this Committee on March 27, 2025 [Exhibit H]. Assembly Bill 362 imposes a tax on a sale or transfer of a controlling interest in an entity that possesses, directly or indirectly, an interest in real property in Nevada when the value of the real property interest exceeds $100.

The tax is imposed at the same rate as existing real property transfer taxes, excluding the additional 10-cent rate authorized in Churchill and Washoe Counties, pursuant to the Local Government Tax Act of 1991, and is computed based on the entity's estimated fair market value of its real property interest.

The revenue generated from this tax is distributed in the same manner as the corresponding real property transfer taxes, except funds for the Division of Plant Health and Compliance of the State Department of Agriculture, are allocated to each county in proportion to the amount collected from real property within the county.

Cities and counties may use their share of the tax distributed through the Consolidated Tax distribution to fund tier one and tier two affordable housing, with priority given to housing for the elderly and people with disabilities.

A proposed amendment from Assemblymember Considine makes the following changes:

- Adds a section for the definition of controlling interest.

- Makes changes to the definition of value of an entity's interest in real property in section 4 and adds a 25 percent penalty on entities that do not self-report accurately.

- In sections 9 through 11, 13 through 22, and 24, have the transfer tax be collected by the county as existing transfer taxes currently are collected by the county, and for the county to receive 2 percent of all taxes, interest, and penalties collected on these transfers during the preceding quarter as compensation for five years, to allow the county to adjust as necessary.

- Changes the effective date from July 1, 2025, to October 1, 2025, in subsection 2, paragraph (b) of section 26.

Assembly Bill 362 was denoted as being eligible for exemption by the Fiscal Analysis Division of the Legislative Counsel Bureau on March 31, 2025.

Chair Backus:
Members, do we have any questions on the work session document? [There were none.] I will entertain a motion to amend and do pass Assembly Bill 362 with amendments submitted by Assemblymember Considine as outlined in the work session document.

> ASSEMBLYMEMBER CONSIDINE MADE A MOTION TO AMEND AND DO PASS ASSEMBLY BILL 362.
>
> ASSEMBLYMEMBER NGUYEN SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

> THE MOTION PASSED. (ASSEMBLYMEMBERS GALLANT, GRAY, HAFEN, AND O'NEILL VOTED NO.)

I will assign the floor statement to Assemblymember Considine. Next on the work session is Assembly Bill 403. I will turn it back over to Ms. Powers.

Assembly Bill 403: Proposes to exempt from sales and use taxes the amount of any allowance against the selling price given by a retailer for the value of a used portable electronic taken in trade on the purchase of another portable electronic. (BDR 32-565)

Susanna Powers, Deputy Fiscal Analyst:
Assembly Bill 403 was sponsored by Assemblymember Torres-Fossett and was heard by this Committee on March 20, 2025 [Exhibit I]. Assembly Bill 403 requires the submission of a question to the voters at the November 3, 2026, General Election ballot asking voters whether to amend the Sales and Use Tax Act of 1955 to exempt the amount of any allowance against the selling price given by a retailer for the value of a used portable electronic taken in trade on the purchase of another portable electronic from the state and local sales and use taxes between January 1, 2027, and December 31, 2050.

A proposed amendment from Assemblymember Torres-Fossett clarifies that the amount of the trade-in must be known and provided in full to the customer at the time of purchase in order for that amount to be deducted from the sale price for the purpose of calculating the sales tax due.

Assembly Bill 403 was denoted as being eligible for exemption by the Fiscal Analysis Division of the Legislative Counsel Bureau on March 17, 2025.

Chair Backus:
Members, do we have any questions on the work session document? [There were none.] I will entertain a motion to amend and do pass Assembly Bill 403.

> ASSEMBLYMEMBER GRAY MADE A MOTION TO AMEND AND DO PASS ASSEMBLY BILL 403.
>
> ASSEMBLYMEMBER GALLANT SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

> THE MOTION PASSED. (ASSEMBLYMEMBER CONSIDINE VOTED NO.)

I will assign the floor statement to Assemblymember Torres-Fossett. The next item on our work session is Assembly Bill 441. I will turn it back over to Ms. Powers.

Assembly Bill 441: Revises provisions governing the Nevada Educational Choice Scholarship Program. (BDR 32-6)

Susanna Powers, Deputy Fiscal Analyst:
Assembly Bill 441 was sponsored by Assemblymember Monroe-Moreno. This bill was heard on April 8, 2025, by this Committee [Exhibit J]. Assembly Bill 441 revises the Nevada Educational Choice Scholarship Program by requiring scholarship organizations to use donations for which tax credits were issued against the Modified Business Tax within 18 months of credit approval, with any unspent funds to be repaid to the Department.

A conceptual amendment submitted by Assemblymember Monroe-Moreno requires scholarship-granting organizations submit applications for tax credits on donations to the Department of Taxation during a set 30-day period. Only after this 30-day period does the Department approve tax credits based on the order of priority indicated in the draft amendment. This would eliminate the current rolling application process. In addition, the amendment:

1. Requires scholarship-granting organizations applying for tax credits for donations to provide the Department of Taxation with the total number of pupils who are:

    a) Currently receiving a scholarship and who have applied for a scholarship for the upcoming school year;

    b) Siblings of pupils who currently receive a scholarship and who are applying for a scholarship for the upcoming school year; and

    c) Applying for a scholarship who do not fall into the categories of pupils in a) or b).

2. Requires the Department of Taxation approve donations to fund pupils based on priorities of pupils listed above, to the extent funds are available.

3. Requires scholarship-granting organizations be incorporated in Nevada.

Chair Backus:
Members, do we have any questions on the work session document? [There were none.] I will entertain a motion to amend and do pass Assembly Bill 441.

> ASSEMBLYMEMBER CONSIDINE MADE A MOTION TO AMEND AND DO PASS ASSEMBLY BILL 441.
>
> ASSEMBLYMEMBER D'SILVA SECONDED THE MOTION.

Is there any discussion on the motion?

Assemblymember O'Neill:
Assembly Bill 441 is a difficult bill for me because there are some parts of it I really do like, and there are some equal parts I really do not like. I will be a no on the bill coming out of caucus, and hopefully, we can get it addressed as it moves on, because I know it will probably go someplace else before it makes it to the floor.

Assemblymember Gallant:
I am in agreement with Assemblymember O'Neill, but the part of the bill I like is the 18 months. I would prefer 24 months, but I like the 18 months. The other parts where it is making it overly complicated for these scholarship-granting organizations to be able to access this money and get it to these underprivileged kids is where I have issues, so I am going to be a no as well.

THE MOTION PASSED. (ASSEMBLYMEMBERS GALLANT, GRAY, HAFEN, AND O'NEILL VOTED NO.)

Chair Backus:
I will assign the floor statement to Assemblymember Monroe-Moreno. Next on our work session is Assembly Bill 471. I will turn it over to Ms. Powers.

Assembly Bill 471: Revises provisions governing remote sales of certain tobacco products. (BDR 32-846)

Susanna Powers, Deputy Fiscal Analyst:
Assembly Bill 471 was sponsored by Assemblymember Hibbetts. This bill was heard on April 1, 2025, by this Committee [Exhibit K]. Assembly Bill 471 provides for the taxation and licensing for remote sales of cigars and pipe tobacco by persons who make sales of cigars and pipe tobacco through any means by which the cigars or pipe tobacco are delivered to the consumer through the mail or other delivery service. The bill requires that these products delivered into Nevada by a remote retail seller be taxed at the same rate that is imposed on tobacco products other than cigarettes that are imported into the state by wholesale dealers of these products.

An amendment to Assembly Bill 471, submitted by Assemblymember Hibbetts at the hearing, proposes the following changes:

- Adds vapor products and replaces the reference to other tobacco products with smokeless tobacco products in the definition of delivery sale under *Nevada Revised Statutes* (NRS) 370.0285.

- Adds a new section to Chapter 370 of NRS to define smokeless tobacco.

- Amends NRS 370.440 to specify that a wholesale dealer of other tobacco products does not include any person licensed as a remote retail seller.

- Adds definitions to Chapter 370 of the NRS for actual cost, actual cost list, cigar, pipe tobacco, remote retail sale, remote retail seller, stock keeping unit, and ultimate consumer.

- Clarifies the tax rates imposed upon the other tobacco products that are sold by remote retail sellers.

- Adds new requirements in Chapter 370 of NRS for certain remote retail sellers to file monthly reports, maintain invoices and records, obtain licensing, and to furnish a bond or other security.

- Changes the effective date of the bill to January 1, 2026.

Another amendment provided by Assemblymember Hibbetts, which was submitted after the hearing on the bill, adds Assemblymember Nguyen as a primary cosponsor.

Assembly Bill 471 was denoted as being eligible for exemption by the Fiscal Analysis Division of the Legislative Counsel Bureau on April 3, 2025.

Chair Backus:
Members, do we have any questions on the work session document? [There were none.] I will entertain a motion to amend and do pass Assembly Bill 471.

ASSEMBLYMEMBER CONSIDINE MADE A MOTION TO AMEND AND DO PASS ASSEMBLY BILL 471.

ASSEMBLYMEMBER NGUYEN SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

THE MOTION PASSED UNANIMOUSLY.

I will assign the floor statement to Assemblymember Hibbetts.

We are rolling Assembly Bill 535 and Assembly Bill 539 to tomorrow.

Assembly Bill 535: Revises provisions relating to the sales tax exemption for organizations created for religious, charitable or educational purposes. (BDR 32-812)

Assembly Bill 539: Requires the Governor's Office of Workforce Innovation to establish a career coaching program for certain pupils in certain circumstances. (BDR 18-418)

The next item on our work session is Assembly Joint Resolution 1. I will turn it back over to Ms. Powers.

Assembly Joint Resolution 1: Proposes to amend the Nevada Constitution to revise certain provisions relating to property taxes. (BDR C-185)

Susanna Powers, Deputy Fiscal Analyst:
Assembly Joint Resolution 1 was sponsored by Assemblymember Anderson and was heard on March 27, 2025, by this Committee [Exhibit L]. Article 10, section 1 of the *Nevada Constitution* provides that the Legislature shall provide by law for a uniform and equal rate of assessment and taxation of property under existing law for the purpose of determining the amount of property tax owed by the owner of a parcel of real property, the taxable value of the real property is equal to the value of the land plus the replacement cost of the improvements, depreciated at 1.5 percent for each year of adjusted actual age, up to a maximum of 50 years.

Existing law also provides for a partial abatement of property taxes, which has the effect of establishing an annual cap on increases in property taxes.

Assembly Joint Resolution 1 proposes to amend the *Nevada Constitution* to provide that for the first fiscal year after real property is sold or transferred, the real property is ineligible for any adjustment to the value of improvements on real property, which is based on the age of the improvement and is also ineligible for certain partial abatements.

This resolution also proposes to amend the *Nevada Constitution* to require the Legislature to provide by law for a program to provide for the payment of refunds of the taxes imposed on the primary residence of a person domiciled in this state who is 62 years of age or older or a person with a disability.

An amendment submitted by Assemblymember Anderson deletes the proposed subsection 12 and adds Assemblymember Considine and Senator Neal as joint sponsors.

Assembly Joint Resolution 1 was denoted as being eligible for exemption by the Fiscal Analysis Division of the Legislative Counsel Bureau on February 25, 2025.

Chair Backus:
Members, do we have any questions regarding the work session document? [There were none.] I will entertain a motion to amend and do pass Assembly Joint Resolution 1.

> ASSEMBLYMEMBER CONSIDINE MADE A MOTION TO AMEND AND DO PASS ASSEMBLY JOINT RESOLUTION 1.
>
> ASSEMBLYMEMBER NGUYEN SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMEMBERS GALLANT, GRAY, HAFEN, AND O'NEILL VOTED NO.)

I will assign the floor statement to Assemblymember Anderson. That concludes our work session for this evening. I will open the hearing on Assembly Bill 435. Welcome, Assemblymember Koenig and Mr. Ableser.

Assembly Bill 435: Revises provisions governing the funding of schools. (BDR 34-1087)

Assemblymember Gregory S. Koenig, Assembly District No. 38:
I am here to present Assembly Bill 435, which proposes to establish an opportunity for a dedicated facilities-funding program for our public charter schools. One of the driving goals of A.B. 435 is to ensure parity between public charter schools and district schools. By creating an opportunity for a dedicated facilities-funding program for public charter schools, we add another valuable tool to our toolbox to provide the very best education possible for every child in Nevada.

Currently, Nevada's public charter schools must use per-pupil funds for facilities, reducing the dollars available for student programs, classroom resources, and teacher salaries. Assembly Bill 435 addresses this challenge by giving charter schools an avenue for facility funds to offset these costs instead of drawing on student dollars to pay for leases and bond payments. This will decrease the financial strain that directly impacts teacher compensation and resources for students. Furthermore, this bill will aid our building and trades by bringing more construction projects, using prevailing wage in order to build more schools in Nevada.

We do have one small amendment [Exhibit M] requested by the City of Henderson, which we agreed to. In section 1, subsection 10, it says, "a charter school sponsored by the State Public Charter School Authority," and we are going to add the words "or a local government" to allow cities that sponsor charter schools, like Henderson, to take advantage of this program.

Joining me today is Mr. Eddie Ableser on behalf of Academica Nevada. He will now walk us through the specifics of the bill and its proposed amendment.

Eddie Ableser, representing Academica Nevada:
I appreciate the opportunity to present tonight on a bill I am pretty passionate about, and excited that, I think, for the first time in Nevada history we are talking about public charter school facility funding. I want to applaud that. The Nevada Legislature stands out as a policy success story in this country in regard to public charter schools. Stanford's Center for Research on Education Outcomes (CREDO) Institute has studied public charter schools for the past 20 years. One of the conclusions they have found is the change made by this Legislature in 2019, creating a strategic framework of charter schools growing to reach a more diverse and underrepresented student population, they increased the population of students of color, students with disabilities, and special needs students from low-income homes.

The CREDO Institute has found Nevada has received the best gains of any other state in the country aside from Rhode Island, but more importantly, they have closed the demographics gap where public charter schools are now equally reflective with their community demographics in line with district schools. The National Alliance has cited Nevada is the ninth-best state in the country for public charter schools in the metrics of accountability, transparency, and more importantly, student outcomes.

What happened in 2019? The Legislature established a strategic framework to ensure public charter schools provide a unique pedagogical approach that complements our school districts and, at the same time, becoming more accessible to all populations. All of the data has shown that public charter schools are not just achieving but excelling at everything since 2019. Unlike other states, all of Nevada's public charter schools are public, and just like their sister district schools, all schools contract with private vendors for a variety of educational services, from testing to accounting to curriculum to janitorial services. Let me state on the record, there are no for-profit public charter schools in this state, and that is something we are all proud of. That said, there is one very big difference between public schools in Nevada, and that is where district public schools receive facility funding through the local taxation. Public charter schools are excluded from the ability to receive the funding from those local taxes. The difference is roughly about 35 percent in funding that district schools get and use to invest in the classroom, while public charter schools dip into their per-pupil funding in order to rent or lease facilities to host their school.

While Nevada continues to ask our public charter schools to do more with less, and while they continue to outperform many of their sister district schools, A.B. 435 is looking to level that playing field and create more opportunities for public charter schools by including them in the county's levy for facilities. Let me be very clear. This bill is not a tax, it is not a mandate, and in no way does it appropriate any funds for any public charter schools for facilities. What it does is simply give each public charter school the opportunity to work with their county governments, if that county government chooses to, to help create a levy and finance the facilities for them to exist.

Now, this is not a new or novel idea. States like Alaska, Colorado, Florida, New Mexico, Michigan, and Washington State all have similar styles of financing through localities to levy a tax for public charter schools in their region. Many of these states go to voters asking for voters to vote on behalf of the school district and the public charter school, receiving well over 80 to 90 percent support from the community for those levies. A vote in affirmation for this legislation does not immediately create that opportunity for high-paying jobs or the schools to own their facilities. What it does is provide a tool in the toolbox for many of the school districts, the public charter schools, and the counties to work collaboratively and provide more money to facilities so they can own them, as well as sending more money back into the classroom. If it pleases the Chair, I would like to do a brief walk-through of the bill, then we can stand and be ready for any questions the Committee might have.

Section 1 creates the State Public Charter School Facility Fund. This is where the revenue generated by a possible levy may go. The fund operates similarly to other funds underneath

the State Treasury. The fund is used to pay off debt to build and maintain the new facilities, and a public charter school has to apply to the State Public Charter School Authority (SPCSA) in order to access these funds for appropriate use outlined in the bill. Section 2 gives each board of county commissioners the opportunity, if they choose, to levy a tax to pay for charter school facilities in their county. Furthermore, it does instruct that the county deposit those revenues in the State Public Charter School Facility Fund in the Treasury. That concludes the bill.

Assemblymember Koenig:
We are open for questions.

Assemblymember Roth:
I know you are referring to them as public charter schools, but not all charter schools are created equally in the state of Nevada. For example, I believe Academica is owned by a private, for-profit corporation based in Florida. If that is the case, can you just walk me through how some of these schools are actually owned in the state of Nevada and how putting public dollars into the actual facilities for which they own the buildings, which is my understanding, where does that money then fit into the overall profit scheme of those for-profit corporations?

Eddie Ableser:
I heard two questions there, and thank you for the questions. These have been comments that we have heard at the Legislature for a couple of years. The comments are not truthful. I will identify that there is a company called Academica. It is based in Florida. That company is owned separately. It is a separate company outside of the purview of what happens in Nevada. There is a separate company. It is a business. It is called Academica Nevada, and it established itself simply to provide services to public charter school boards if those public charter school boards choose to hire Academica Nevada. There are many other companies similar to Academica Nevada—Opportunity 180 provides services to their schools from a nonprofit status; Legacy Heritage; there are many other companies that provide services.

Let us talk about the services. The services are a variety of essential back-office services that schools need to operate. Everything from cleaning, janitorial, special education, student information systems, legal, accounts payable, accounts deliverable, and help with getting substitute teachers. There is a litany of services these schools need. Some schools get those services in a piecemeal approach and neglect other aspects of the services. They might not deal with any of the legal ramifications that go into developing an individual education plan for a student with a significant disability.

What Academica Nevada has done—and I want to brag about my client for a second—it is the cheapest rate in the entire state, and that includes districts as well; they provide back-office support for schools. That said, they are simply a vendor. These boards are submitted a contract. The boards, which are public governmental boards, vote on those contracts. They can vote to eliminate the contract. They can eliminate their relationship with Academica. In another committee, I testified that about three years ago public charter schools

voted to eliminate two separate management organizations because of some of the things that were happening with them. There is no ownership. There is no direction. It is simply vendor-board relationships similar to how our districts operate. Districts hire a variety of vendors. I was at the Washoe County School District and spoke with Chair Smith. At that committee, they were talking a little bit about what happened in northern Nevada with Mater Academy. I mentioned that on their agenda, I think they approved over $87 million of private contracts just on one district agenda. That is very similar; they do not have $87 million, these charter schools are small, but it is very similar.

Assemblymember Roth:
Just so I can direct where I am trying to get at with these questions. The question is, who owns the buildings the public dollars are going to? To be clear, when we have public schools, those schools are owned by the taxpayers. Those are the people's schools. Somebody owns Academica schools in the state of Nevada, so those public dollars are going to be paid in rent to a corporation. Who is that corporation that those public dollars are going to, and what is their profit margin? How much money are they making by owning the real estate for which our public dollars are going to pay for?

Eddie Ableser:
Let me start with this bill. Any building, any facility, anything owned by the State of Nevada, is bonded and levied. It would go through the authority. It is through the Treasury. If the school fails—I think there are some of you on this Committee in education—if the school has 1-Star for three years in a row, that school fails. That school shuts down. The building, if that school exists, belongs to the State. It goes to the State and that board is absolved.

Assemblymember Roth:
Who does the rent go to?

Eddie Ableser:
Without this bill, where we are today, there are a couple of schools that are owned by the State of Nevada through the board. There are a couple of schools that have been built using prevailing wage, and they are owned by that school board, but if that school happens to fail, the State recovers all of those assets. Probably 90 percent of the schools are in leases and rents to strip malls, to vendors that have created property for them, that have renovated properties. It is very similar to what the State of Nevada does. When I was the administrator, we rented space here in Carson City. It was not owned by the State, it was owned by a property owner, who was responsible for the function of that building.

Assemblymember Roth:
For clarity, the public dollars will be going into schools that pay rent to private corporations, which make a profit off of owning the schools. Is that correct?

Assemblymember Koenig:
If the charter school does not have a property, they are going to pay rent. This would allow them to build their own facilities, which would then become State property. If the charter school paying rent goes out of business, the landlord has to find another tenant. If the charter school is able to build facilities with this, and they go out of business, this would revert back to the State.

Chair Backus:
I am going to jump in because I think I see where it is going. I think there is a provision in the bill that would not make sense even in a bonding situation. My understanding is when the State, the counties, or the authority doing the bonding, it is usually intended for what you guys are talking about: the construction of a building. However, when you look at the bill, under section 1, subsection 7, paragraph (d), I think what is giving some of us heartburn here is it states the executive director may request the State Board of Finance issue bonds secured by the money in and revenue of the fund to finance under (d), "The rental or lease of buildings or grounds from a public or private landlord for a charter school."

I think it is that provision right there. I am sure there are other layers, but how you guys are presenting the bill sounds like it would be consistent with how the public school district does some of its capital funding, which I believe is only Clark and Washoe Counties, not throughout the whole state. If you could go to that section, because that is where I think everyone is focused.

Eddie Ableser:
In section 1, subsection 7, paragraph (d), this was a request by our small schools that believed they could not find a way to pay, and this is where there are like 40 or 50 schools. My understanding is, at the county level our school districts rent buildings or rent facilities as well. That was what was told to me through a Legislative Counsel Bureau (LCB) conversation that this is a typical function. If it is a heartburn of the Committee, this is certainly not the intent of the bill. The intent of the bill is to build buildings, to create more jobs, but this was contemplated as a result of many of our small schools who do not see an opportunity, for 60 kids, to build a school—to have that school. That is a conversation, Assemblymember Roth, I would be more than happy to have with you. Let me be clear. The intent of the bill is to build buildings. It is not to provide rent. It was my understanding the school districts have this provision allowable within their levy as well.

Chair Backus:
When the money is being used, for example, in Clark County for our public Clark County School District schools, and they are building or acquiring land, it would be held by Clark County. Here, it looks like the money would be held in a trust. If a new building were constructed for a specific charter school, who would then own the land and the building at the time the charter school is still in operation?

Eddie Ableser:
It is still my understanding under 7, everything goes through that facility fund, and it is my belief the State owns that property and owns that building.

Assemblymember Goulding:
That was my exact question. However, I would like some clarification on the answer. My understanding is charter schools are typically a nonprofit corporation. Is that correct? They are not a legal entity.

Eddie Ableser:
Every public school has to file with the Secretary of State as a nonprofit corporation, the boards.

Assemblymember Goulding:
My understanding is at least some charter schools that own their own buildings, then that nonprofit owns the building. It is not actually owned by the school district.

Eddie Ableser:
It is my understanding every public district has to file as a nonprofit corporation as well, so it is all schools. Should that nonprofit corporation fail and dissolve, it is my understanding that it is an asset of the State.

Assemblymember Goulding:
Is it common for regular school districts to fail and have to dispose of their school buildings?

Eddie Ableser:
That was part of the 2019 conversation in which the Assembly bill created an accountability measure that only exists for public charter schools. If a public charter school receives 1-Star three years in a row, it is to be shut down, and it is a bill members are contemplating in the Assembly Committee on Education. Unlike school districts, which cannot be shut down, public charter schools can be shut down, and if that were to happen, it is my understanding the State would take control of those assets. Under this bill, absolutely they would take control of those assets, but it is my understanding these are public charter school boards, they are public governmental boards, and they are underneath the purview of the State. If they fail or if they get closed by their authorizer, the assets then go to the State.

Assemblymember Goulding:
One of the things you mentioned was the charter school boards are accountable. Are charter school boards elected by the public providing the funding for those schools?

Eddie Ableser:
Many of our public charter school boards are tiny and small, just like many of our commissions are tiny and small, and they are appointed in a variety of ways. That 2019 law that was contemplated created very specific membership guidelines on who can serve and who should serve on public charter school boards. I think that is an interesting policy

question. I know I have heard many members talk about our elected district school board members and sometimes we should reflect on appointed public district school board members at points. I think because of the amount and the ability to run elections in those many boards, the decision in 2019 was to create appointment authority.

Assemblymember Goulding:
But there is not a direct relationship between accountability to the public for those public dollars. Is that correct?

Eddie Ableser:
I would not capitulate it that way. I believe there is a very strong accountability measure by the authorizer. The authorizer rips through every transparency financial document of a public charter school board and how they operate, and they can shut that board down. In my opinion, the accountability is higher than what districts have to deal with because these schools can get shut down immediately if there is impropriety in their action.

Assemblymember Goulding:
Have you served on a charter school board and seen how charter school board members are selected?

Eddie Ableser:
I have had the privilege of serving in a variety of elected bodies. I was a former Democratic state senator from Arizona and minority whip for the Assembly for the State House in Arizona. I was elected to a district in Arizona as well, and I was appointed to a public charter school board here in Nevada as well. I have had quite a bit of experience around a variety of education things. I will tell you, in my observation in 2019 on the appointment of those boards, it is a very intense process. It is a very scrutinized process. It is a very transparent process. When I was appointed, everything had to go to the authority. I had to show my qualifications, my background, and my mission statement. I think the amount of oversight over our public charter school board members is pretty phenomenal. There are board trainings on how to operate, Robert's Rules of Order, and open meeting laws.

Assemblymember Goulding:
I am glad to hear that. I think that must have changed since my experience on a charter school board, so I am happy to hear that it has changed.

Assemblymember D'Silva:
I have a quick two-part question. First, are the two ways this building fund would be funded be through donations and then through this proposed tax? The second part of the question is, would this be an additional tax that would be created or ordained by the local county on top of any of the taxation that currently exists?

Eddie Ableser:
Yes. The fund can receive funds from two different directions—donations, gifts, grants that can be deposited, or the funds from the local county levy as they produce those revenues. I think your question about the county levy—it is a new county levy.

I am going to use my home county of Washoe. There was a question on WC-1 [Yes on WC-1 Campaign for Libraries], which the community did a phenomenal job in supporting and raising up. That is a fund that goes directly to the resources as contemplated and as voters voted on. That is not something that this bill can touch. This would have to be a new question to voters in order to contemplate that levy.

Assemblymember Considine:
If this measure is successful and a county government chooses to levy a property tax with bonds issued to benefit charter schools, what happens, or who is responsible for paying the bonds if the property does not generate sufficient revenue to pay the bonds?

Eddie Ableser:
How I understand this, and perhaps we can have that conversation, is the bond would not be issued without the appropriate levy and measures in place to pay off the bond, and the bond issued by the Committee on Finance. The State Board of Finance, in making their decision, would have to contemplate whether the revenues are sufficient enough to pay that off. Now, let us just pull that string a little. Should the levies not support the ability to pay off that bond? I think many of these public charter schools are back to square one where they have to dip into per-pupil or Distributive School Account to pay their facilities.

Assemblymember Considine:
In the potentially rare case, they would be forced to dip into the student pupil funding. There would be no other option?

Eddie Ableser:
Perhaps with gifts or grants. That school would have to be very creative to try to find a way to pay off that bond. Hopefully, the bond rates are good and the terms of the bond are appropriate. Working with the State Board of Finance is a credible opportunity for many of these schools. If the county decides to create that levy, I have to assume that the State Board of Finance has contemplated the amount of money in that levy, but should that rare occasion happen, I think it would be appropriate because when you think about bond payment, the only revenue that public charter school is getting is per-pupil funding. I think that would pay it off.

Chair Backus:
We will now hear testimony in support of A.B. 435. We will start in Carson City.

Sarah Adler, representing Coalition of Independent Public Charter Schools of Northern Nevada:
This was a great discussion. I wish I had more than two minutes, but I will be quick. I would like to direct your attention to section 2, subsection 3, paragraph (b), where it says the board of county commissioners may levy a tax for the payment of interest for a charter school. The only way I see this bill might live going forward is where a county works in partnership with all of its public schools, where it may be issuing a school bond for repair or construction of new traditional schools, and at the same time it has an appreciation for what public charter schools offer, and it decides that together the school bond could encompass both types of public schools.

I was going to use Carson Montessori School, where my granddaughters attend. Carson City would need to float a bond for school improvement or construction. It has a great relationship with Carson Montessori School. It could decide it would go to the voters and say with this property tax levy, you are going to fund both types of public schools because right now, the parents at the school are paying property tax, and it is not able to go and support the public school of their choice. I will wrap it up there. I think that is the beauty of this bill.

Jessica Barlow Daniels, Executive Director, Carson Montessori Charter School:
We are celebrating our 20th anniversary. In the original bonding bill for charter schools, which we thought would work and operate just like it did for districts, we discovered it was nothing more than a mortgage. It was my student legislative team that lobbied it through the Legislature, got it passed, and then we discovered when we tried to purchase something, it was nothing more than a mortgage, so it did not have the bonding capacity. I am a political subdivision of the State of Nevada. That is my official designation. We would never agree to let our school be closed. We are real champion fighters. However, if it did, everything I have belongs to the State of Nevada. In working with another charter school that did end up getting closed and had purchased their own building, the State had the sale of the building, received all the funds from it and all the material inside of it—all the desks, everything they had belonged to the State of Nevada.

I do want you to add one thing. When they said the State Public Charter School Authority is where it goes or like the City of Henderson, I am still sponsored by the Carson City School District. I want to make sure that stays in the bill so they would have access to it, the way it is written, because they just listed those two entities. I am in a position right now where my school is faced with being evicted from where we are because our permit has expired. I am in an industrial area I am not allowed to be in, so I am having to find a new site after 20 years of success. Would this help me greatly? Absolutely, because I would much rather pay my money to the State of Nevada than to a private person I have to lease from, and yes, they do make that money when you lease from them.

Amy Shogren, representing Opportunity 180:
Opportunity 180 is a nonprofit organization working toward the North Star of every kid graduating high school, college, and career-ready. Opportunity 180 supports efforts to expand the number of innovative, high-potential charter schools that serve zip codes and

student populations that have historically had the least amount of access to opportunities for high-quality educational experiences. We support A.B. 435 because it will create an additional avenue for public charter schools to receive funding, addressing one of the primary funding imbalances faced by the charter school sector. Charter schools are free, public, and open to all students. Legislation such as A.B. 435 that creates innovative pathways to address parity regarding Nevada's public schools is critical to allowing public charter schools to focus more resources in the classroom and less on overhead. For these reasons, we support A.B. 435.

Nicole Rourke, Director, Government Affairs, City of Henderson:
First, I would like to thank Assemblymember Koenig and the proponents of the bill for including local government-sponsored schools as eligible recipients of these funds if they choose to apply. We have heard firsthand from many of the schools in our community the challenges they face in securing facilities. For those reasons, we support this bill.

Wesley Harper, Director, Government Affairs, City of North Las Vegas:
We echo the sentiments of the City of Henderson. This would be a benefit and a resource for our city as we walk down the road of authorizing charter schools. Thank you very much.

Chair Backus:
We will go to Las Vegas. Is there anyone in Las Vegas wishing to give testimony in support of A.B. 435?

Gil Lopez, representing Charter School Association of Nevada:
I am here in support of A.B. 435. We do want to thank the bill sponsor for bringing this important legislation forward as well as acknowledging the hard work of those who contributed to its development: Marina Nevada, Western Public Affairs, and our partners with Tri-Strategies.

Assembly Bill 435 represents a promising step toward supporting not only charter schools but potentially district schools as well by establishing a mechanism to assist with acquiring, improving, and expanding educational facilities. While we continue to work toward a long-term dedicated solution for charter school facility funding, this bill offers meaningful progress in the right direction. We respectfully urge you to support A.B. 435, and once again thank the sponsor for the leadership in this issue.

Chair Backus:
Is there anyone on the phone lines wishing to give testimony in support of A.B. 435?

Ignacio Prado, Executive Director, Founder, and Principal, Futuro Academy Charter School:
Futuro Academy Charter School is a single-site, public independent charter school located in east Las Vegas. Assembly Bill 435 is going to be a critical step toward strengthening an overall ecosystem by addressing the most critical challenge of any charter school to ever get off the ground, which is access to affordable and sustainable facilities.

I do want to touch on a point around some consternation around the use of leasing. Having been an independent school founder of a school that started very small—we had 110 students and 13 staff members—we simply do not have the typical traditional metrics to access products like bonds or even a traditional mortgage as a brand-new organization. It seems like three years of audited statements and 120 days' cash on hand are metrics that are the minimum to access these types of products or programs, and simply would not be possible for an organically grown school that was founded by a local teacher like me who worked in the Clark County School District immediately prior to founding our school.

I am very thankful for the thoughtful questions. I am sure the sponsors are open to any number of safeguards or regulations that might be necessary to ensure the dollars are put to the right use in a fiscally responsible way, but not addressing the rent issue would simply favor large schools and large school systems within the charter sector, potentially heavily to the detriment of small, innovative, and organically grown organizations in our sector. I urge you to support A.B. 435 to address those concerns.

Chair Backus:
As there are no further callers in support, we will go to testimony in opposition. Is there anyone in Carson City or Las Vegas wishing to give testimony in opposition to A.B. 435? [There was no one.] Is there anyone on the phone lines wishing to give testimony in opposition to A.B. 435?

Alexander Marks, representing Nevada State Education Association:
We oppose A.B. 435 creating a charter school facility fund and authorizing a school district to increase the property tax for that fund. Chartered For-Profit, a report by the Network for Public Education, highlights significant issues with for-profit education management organizations (EMOs) like Academica. While technically prohibited from directly running charter schools, EMOs exploit legal loopholes by setting up nonprofit boards that function as mere firms, allowing EMOs to control school operations and finances. Charter For-Profit details how EMOs engage in self-dealing, where related party transactions funnel public funds into privately owned real estate and service contracts, often with little oversight. A lack of transparency and accountability in these arrangements undermines the original mission of charter schools and diverts taxpayer dollars away from classrooms and student learning.

Last year Nevada State Education Association (NSEA) and the Washoe Education Association opposed the expansion of Academica's Mater Academy into the North Valleys in Reno. The New Mater Academy is slated to be built immediately next to Washoe County's Alice Smith Elementary School, a Washoe County School District school currently at 72 percent capacity. The SPCSA approval process had no regard for students and the educators at that elementary school or any school in the Washoe County School District. In fact, the Washoe County School District notified the charter authority that a 1,460-seat charter school in that location would cause the closure of at least one elementary school. It is painfully clear that profit motive and not community interest drove the decision to site Mater Academy in that location, and we would ask for your opposition to A.B. 435. [Exhibit N was submitted but not discussed and is included as an exhibit of the hearing.]

Chair Backus:
As there are no further callers for opposition, we will move to neutral testimony. Is there anyone in Carson City, Las Vegas, or on the phone lines wishing to give testimony neutral on A.B. 435? [There was no one.] We will invite the bill sponsor back for closing remarks.

Assemblymember Koenig:
Thank you for your time and consideration. In listening to the last caller, the NSEA, the unions are against this. But think of us who are on the Assembly Committee on Ways and Means. Every single time there is a hearing on anything to do with education, we get dozens and dozens of teachers from the teachers' union complaining about how underfunded the schools are and how we are $4,000 per student under what the average is. All they complain about is how much money we do not give them. Consider if they had to be taking their money and using that for their rent and their facilities; just think how loud they would be screaming at that point. Someone could come up with another way somehow or potentially somewhere, but at this point there is no other way for charter schools to have facilities. How is it fair we say, Here is your pot of money public schools; take it and spend it on your kids. Charter schools, here is the same pot of money. Pay your rent and everything else, and then whatever you have left over, use it on your kids. To me that just is not fair. We are doing a levy, which is up to the voters to decide whether they want to do that. We are not forcing anybody. If every community in the state votes against this, then nothing happens. However, if there is a community that does value all their kids and is willing to vote to do this, it gives them that option. It is not mandatory. It is permissive. This is just giving them a chance to potentially have some money toward facilities.

Chair Backus:
I will close the hearing on A.B. 435 and open the hearing on Assembly Bill 453. I am happy to welcome Assemblymember Anderson and Senator Neal, the former chair of this wonderful Committee. Welcome back.

Assembly Bill 453: Revises provisions relating to taxation. (BDR 32-895)

Assemblymember Natha C. Anderson, Assembly District No. 30:
I am joined today by Senator Neal of Senate District No. 4. Thank you for allowing us to present Assembly Bill 453, which revises various provisions related to taxation. More specifically, A.B. 453 aims to modernize the state's tax system by addressing the digital economy. The initial bill also dealt with two other areas. Those areas have been removed. In other words, the conceptual amendment [Exhibit O] actually takes away the changes I had proposed, possibly changing the current commerce tax. All those items that were in that area are no longer considerations, and also making any sort of changes to the current live entertainment tax to include professional sports teams. Instead, the bill is concentrating on the digital economy. There are two other parts to the conceptual amendment. The first one is to add joint sponsors Assemblymember Considine and Senator Neal.

With that, I am going to start off with the digital economy. As many of us know, the digital economy has grown rapidly, with digital products becoming integral to daily life [Exhibit P].

However, Nevada's existing laws often fail to account for these intangible goods, leading to potential revenue gaps. Assembly Bill 453 addresses these challenges. Electronic commerce (e-commerce) has been an essential part of consumer spending habits, accounting for 16.1 percent of total sales nationwide, according to the U.S. Census Bureau from 2023. Those are just numbers, but here are some specifics. I am going to use one of my favorite pastimes of reading. There are some who love the feel of a book [Exhibit Q]. When you go into Grassroots Books in Reno, or you go to the Writer's Block in Las Vegas, you buy the book, you pay the tax, you go home, and you get lost in a new world. You are able to enjoy yourself.

Then there are some—one of our peers—who will use an e-book [electronic book], a Kindle, or an iPad, and in this e-book there are going to be anywhere from 4 to 40 books. It is much easier to carry. There is no question. Again, you are going to go through the same process. You are going to look for that perfect story. You are going to buy it and then you are going to sit at home and enjoy it. There is one essential area missing. There is no tax on these e-books. There is, however, in other states. If you go to our neighbors in Utah, you will pay a tax consistent with the tax on the hard or physical copy of 4.85 percent. If you bought it in Arizona, the sales tax would be 5.6 percent. Idaho is 6 percent and California is 7.2 percent. For some of our non-neighbors, including Arkansas, Mississippi, and Texas, there will be a tax. In other words, there are currently 38 states as well as Washington, D.C., that tax digital goods in some form. Nevada is not one of them.

Our sales and use tax needs to be adjusted to reflect a changing world. We need to catch up with national standards. This is not a new tax. It is taxing digital products in a similar way to how physical products are taxed. It does not create a new burden. It is attempting to modernize our tax system to ensure large corporations pay their fair share. In a way it is closing a loophole which exists due to products being sold in a different way other than the brick-and-mortar businesses. That actually brings up one more area that has nothing to do with revenue but everything to do with community. Our small businesses. Remember I talked about Grassroots and the Writer's Block. I did not mention Sundance Books in Reno, Morley's Books. which was once two and a half blocks up from our building here in Carson City, or Whitney's Bookshelf in Tonopah. Sadly, all have closed.

These closures are not 100 percent due to a change in how society is buying products, but it is a contributing factor. It is not just mom-and-pop stores. Think about retail chains. They are closing as well. Think about how, as a teenager, you would go to a record store to browse the CDs and hang out with your friends. Those no longer exist. Whether you went to Blockbuster to look for videos, which again no longer exists, Tower Records or Wherehouse records, these locations are no longer around, and part of that is because of the digital era. We have moved into this new world. With the Chair's permission, I would like to turn it over to Senator Neal to continue, as she has been working on this language for three sessions.

Senator Dina Neal, Senate District No. 4:
It is good to be back in Assembly Revenue. I spent a lot of time here. When you look at A.B. 453, you need to think about it in terms of needing to modernize our actual sales tax

statutes. For me, the journey has not been about the excise tax, but about how we are going to update our statutes for the actual way in which we have products delivered to us. This is one thing I have consistently done in every hearing I have had since my attempts in 2019, when we moved to Marketplace Facilitator and we were able to get Amazon into our tax base. It was a huge move because we knew products were being sold online, not just in brick-and-mortar spaces. It is the same thing that is happening with digital goods. That physical product is now transformed into a digital product, and sometimes it even has a crossover between the product itself and a service that may be attached to it.

I am going to take you guys quickly down memory lane. You have to thank your Fiscal staff, Mr. Nakamoto, because this is his wonderful collection. If you remember your grandparents or your parents who had the wonderful 8-track and that car from the 1970s, they would stick an 8-track in and say, Oh, my goodness, we are going for a ride in the Cadillac. We have a Bruce Springsteen 8-track [Exhibit Q]. This is a way to bring you into the space of how the product itself is no longer sold, nor is it a part of the current commercial and market. We have a Michael Jackson "Thriller" 8-track. That is going way back. The fact that it is in 8-track form gives you an appreciation for the fact these used to be in every vehicle before they had cassettes. We then upgraded. This is one of the favorites from Mr. Nakamoto, the Marky Mark cassette.

We have memory lane where we go from 8-tracks to cassettes you could play in the car, or you had your boombox. We had our TDK tapes, where if we did not have the cassette we would listen to the radio, press the button, and record what the radio was playing. You have to think about the durable goods in addition to the cassette you might have purchased at the music store. There are durable goods that as we grew into this market are no longer sold as the companion items. When you think about the tax base and you think about what is missing, think about the product that is now digital, and think about the companion durable goods that used to be sold with it so you could participate. Who did not like Lionel Richie? This cassette is in Mr. Nakamoto's wonderful collection.

Now we have the wonderful CDs. We have the car that advances from the 8-track to the cassette, to now the CD. It is not common to get a car that will play a CD. You have Apple, iTunes, or Android Auto. You are connecting from your phone physically to the digital media in which you plan on consuming music.

I probably should have shown you this one first, but did anybody grow up with the 45 record? If anybody actually loves Steve Martin, he did a 45 of "King Tut." We all probably grew up with Steve Martin and Martin Short. The point is, a 45 used to be in our genre and it used to be in our space. Mr. Nakamoto gave me something that was completely awesome, a 45 of Morris Day and The Time [Exhibit Q]. You know this has to be a collector's piece.

I have never seen this in my life, but apparently at one point, we used to roll serious tape, and this was Barry Manilow. We can see Barry Manilow on the Strip but apparently he has been

around so long it was not even a cassette; it was literally roll the tape. I had no idea, but the durable good that was associated with this is surely extinct.

When you think about the growth of our tax base and how we have changed, we have to consider how we need to modernize our current statute. The current statutes in place in Nevada are still taxing this, but it is not being sold. It has transformed into a digital form. I have to give full credit to all of the goodies Mr. Nakamoto gave me, to give him joy while he sits in Revenue committees in two houses. He also has a John Travolta "Saturday Night Fever" CD. The fact that Saturday Night Fever came in a CD, I know I was very young, and we all watched it on TV. He has the full album of Kool & the Gang. He has another one that probably sold about five albums—Mr. T did an album.

The point of the props and the reference at this late hour is to help you come to the conclusion we need to modernize our sales tax statutes. We actually need to move forward, and I have been on this journey for a really long time. In this journey we talk about Pandora, Spotify, Netflix, and Prime. I believe it is Peacock, not Pluto, that charges. Tubi is free. Even when you get online and do your exercise videos, where back in the day if you were exercising with Richard Simmons, you were putting it in as a VHS [video home system] tape, or you were watching it. That is no longer the way we even exercise. It has been almost five years since we had the Mirror. You would exercise in front of the Mirror, and it was sold with a service because you wanted to visualize this other person working out with you. Even when you think about how just exercising and subscriptions are associated with a simple digital shift in the common areas in which we function, that has all changed.

Assembly Bill 453 is attempting to move us into 2025, and help us modernize our sales tax statutes so we can actually live in this particular time period and tax the current goods with an excise tax that is not on these goods, and hopefully, potentially stabilize our sales tax revenue with the inclusion of these now transformed and modernized goods.

Assemblymember Anderson:
I do want to make sure the conceptual amendment [Exhibit O] is very clear. There was one more item I had asked for, and that was if the Economic Forum predicts a decrease of more than 7 percent, transferable tax credits shall be reviewed by the Legislature for possible changes to authorization of transferable tax credits, including any necessary changes of the amount of transferable tax credits being issued in the biennium. We also talked about the funds from the Rainy Day account. The reason why I brought this forward is, as we contemplate more and more transferable tax credits, we need to consider the impact on our state and the fluid national economic outlook.

When we consider the fact that there are open contracts helping our own legislative body, and this building in particular, these contracts were entered into and yet these same contracts have been put on alert. We found out they could be adjusted. We found out about that during a Joint Senate Committee on Finance and Assembly Committee on Ways and Means meeting on March 7 due to tariffs. Should the Nevada Legislature not be able to utilize the same business model? We need to be more aware of what can happen if the Economic Forum does

not come back with an increase of funds and we as a state are already promising away the credits and are unable to pay for essential services, our neighbors, our communities, our constituents, and our state needs. We are ready for questions if you like, or we can also walk through the bill as you see fit.

Assemblymember Gray:
One thing you failed to mention, though, with the digital products, you have to have the digital device, and those things are not cheap. We pay a lot of tax on those when we purchase them, especially when they are running $1,200 to $1,300. We are not paying the tax on the digital download, but we are paying it on the other side, and we are actually paying quite a bit more now. I am just wondering why the difference. Why go after these now when we are paying more somewhere else?

Senator Neal:
You can make the argument that the particular durable good is being taxed, but there is a complete loss of revenue because we have not picked up the shift and the change. When a product itself has now transformed and become digital—and that was a small sample, but there are hundreds of products that have actually become digital—they are not in our sales tax base. This is about modernization. This is not about some hungry movement. For me, it is policy. It is about updating the actual statute to go after it. We have also seen that sales tax also dips and is one of the major revenues that comes into the state. My position, for tax policy purposes and revenue, is we should always be thinking about past, present, and future. We should always be trying to consider how we modernize and move forward, especially when not just several, but hundreds of products have changed form and are no longer in our tax base. You could be of the opinion, That is fine, they are extinct, they should not be in the tax base. I disagree. It has been three sessions trying to have this conversation about how we shift and grow with how goods are currently being consumed in their current form.

Chair Backus:
I remember the very fancy laser disc that came out and played movies. They were almost unobtainable because the way you would play it was very expensive. I just googled how much a turntable could be, which would just play records. They are around $1,000, which is kind of interesting because that would be like an Apple phone. The pricing of the equipment seems in parity.

Assemblymember O'Neill:
How did you come up with the 7 percent on the reduction? I was just curious. It is an odd number.

Assemblymember Anderson:
I initially had thought of 5 percent and then I talked with a few individuals whom I trust on some other money committees as well. They asked what I thought about 10 percent. Honestly, 7 percent was just the middle ground. I was thinking of 5 percent initially. I would be fine bringing it down to 5 percent.

Assemblymember Hafen:
I want to talk about the conceptual amendment [Exhibit O] again. Like my colleague mentioned, not how the calculation was but how it would actually work. My understanding is a lot of the tax credits, like the film tax, you make the movie and then you go back afterward retroactively to apply for those credits, anticipating they are going to be there. Senator Neal, you could probably touch on how the New Markets Tax Credits work a little bit better than anyone here. I am just trying to figure out what the ramifications would be on those when people are anticipating them and then, heaven forbid, the Economic Forum comes back less, and basically, we are pulling the rug out from underneath them. How do you envision this conceptual amendment?

Assemblymember Anderson:
When I brought this up, all I was thinking was we have to start being responsible and we have to start thinking about how other businesses are able to make these changes. First of all, the reason why I was thinking of this was it would be for future tax credits. I am not thinking about the past because those items have already been present. Some other people might have a different opinion, but I believe it is only moving forward. Because of that, there would need to be some policy language developed that would not be part of this. Quite frankly, I would think we would have to have that in all agreements from here on out. There is a possibility these will be looked at over the biennium based upon how the Economic Forum comes back. That way, whenever companies come in expecting a tax credit, they are aware of how this would work and it would not be a shock to the system. That is what I believe currently happens in many other businesses when there is a need to renegotiate, or an open contract, because of changes in the supplies they have to have to go forward.

Senator Neal:
I am going to quickly address the New Markets piece. Under New Markets, the credits are established. We know in year three, year four—I am just going to give that example—how you have to pull them down. There is no way to go back and reverse that. I want to be transparent. When I saw in the interim different things were occurring with the General Fund, I had the conversation about there being a way to pull these back, and can we come away from 2030 so I can think about how I can put revenue back into the state. They said, Absolutely not. Ultimately I had to run the course of whatever I extended with those New Markets, but I was thinking, as much as I am pro-business, as much as I am trying to figure out how I position a credit to move in a way to help small businesses, which has been the focus of New Markets and in rural spaces, I was not able to pull it back. I do think we need to have a conversation about where we go in the future just because we cannot sustain large amounts of credits coming off the books. That is my two cents.

Assemblymember Hafen:
If I understand you correctly, the New Markets Tax Credits are a five-year obligation in concept, so your proposal in the conceptual amendment would not strip away those obligations. There would not be future obligations made, but the tax credits for the obligation that has been committed would already be there. Am I understanding that correctly?

Senator Neal:
They cannot be stripped away. They are already dedicated. Whoever has applied for the New Markets, they have to run the course through 2030, or whatever that date is in the bill, or we would get sued.

If this bill, if this amendment, moved, and then somehow they felt the credit they had been waiting for and working toward to do that qualified investment was going to be stripped, that is actually not a possibility and it would open the state up to a lawsuit. I am just being 100 percent with you because it is designated in statute. That credit is available until that expiration date. It cannot be stripped away or else we are going to be in a very interesting situation, using the New Markets example.

Assemblymember Hafen:
Thank you for that clarification. That is my concern, based on the conceptual amendment being proposed, if it is not clear enough, there is potential for the state being sued over this. I do appreciate it, and I agree with you, Senator, on that.

Assemblymember Anderson:
When this was being proposed, there was no discussion at all about the New Markets Tax Credits. I want to make sure that is clear. There was never a consideration of how that all would be working together. That was never part of those discussions with it. I do not want to open us up for any sort of lawsuits, so that is one reason why this is for future discussions. If there is ever a future decision to be made for these items, that is how that would work.

Assemblymember Hafen:
It is my understanding the New Markets tax code, and Senator Neal can correct me if I am wrong, is the largest tax credit on our books. Then there are the film tax credits and the Opportunity Scholarship tax credits. If you were not looking at the largest tax credit on the books, what were you considering with this amendment?

Assemblymember Anderson:
I was simply looking at how we are using it right now. I was not looking at specifics. I own this 100 percent. That was me just trying some new ideas.

Chair Backus:
To make sure, it was a prospective, looking at anything else that could potentially come in, whether it be through legislation, that could be a future tax credit. That was kind of what the purpose of this was.

Assemblymember Anderson:
That is correct.

Assemblymember Gallant:
Would this also include apps on our iPhone?

Senator Neal:
Yes. If you look at the definition we have for "other digital goods," we have a digital audio-visual, but I think it is pretty much captured under the "other digital goods."

Assemblymember Considine:
How do we collect the tax? I know we have the streamlined sales tax that we are part of, to ensure those taxes are mailed to us and done correctly, but how will that work for the digital taxes?

Senator Neal:
Currently in the bill we have adopted the exact statutes that allow the Department of Taxation to create the regulations and do the tax imposition. There are very specific statutes that lay out the exemptions, how it would be paid, and how the Department of Taxation—if this were to actually pass and move forward. I believe if you look at section 27 there is a registration process. They have to register with the Department, which is pursuant to *Nevada Revised Statutes* (NRS) Chapter 360B, and then any other sales tax statute is pretty much emulated to adopt conforming language. If you look at that example, in section 27 they register, they have turned to permit. One thing that came from the streamlined process as we were doing this bill—I believe it was in 2021 where we had a conversation with Streamlined Sales and Use Tax Agreement (SSUTA)—we had to make sure we had our nexus language right, our location language, so if someone downloaded in the state, how we were actually going to be able to identify that download. We pretty much nailed that down. If someone is out of state, we did it by the location of where that person actually is. There is more detail but that is pretty much how it was broken down because SSUTA was really on top of us on the excise piece and trying to make sure we were in conformity. At the time, I was on the Executive Board. We brought that bill to them, and they supported us to try to make sure we were completely in line and we were not going to violate.

Assemblymember Gray:
How is this going to happen? I had not even thought about buying something on a digital device when I am out of state. I can go to one of the nomad states and pay no sales tax at all on something. How are you going to track that and account for that? I mean, if I am not physically here and making the purchase, I should not be subject to the sales tax.

Senator Neal:
Is this something Mr. Nakamoto can break down? I believe we came down to location. When you download, Netflix will know you are downloading from your home or whether you are downloading from a hotel. That subscription is still attached to you whether you are in Arizona or at home. You log in and you download. Whether you go in and download from

YouTube TV, it is attached to your address. It is also attached to your IP [Internet Protocol], so that is the best way I can break it down. If you are out of state and you use Google TV or any of those things where you have to have a subscription, we know you were a Nevada resident who downloaded it because it is naturally tied to that log-in. That is the simplest way I can explain without doing the legalese of Mr. Nakamoto.

Chair Backus:
Mr. Nakamoto, I know you have had a very long day, but would you like to chime in?

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst:
There are provisions in the bill, and I am scrambling to find them very quickly, about how nexus for this tax is established. Once I find those, I can follow up with Assemblymember Gray.

Assemblymember Flanagan:
When you were doing this, was there a way to look at any of the projections? It is so cool, but as you were looking at it, were you looking at what those numbers would look like?

Senator Neal:
The actual projections are pretty low. I think it was $75 million or less. It was kind of a good thing the projections came in low because I was making the policy argument, not the revenue argument. I was making the argument we need to update and modernize the sales tax statute. When I first entered into this space, it was the same time I was doing Marketplace Facilitator, when we were having this battle between the online stores and the brick and mortar, and the physical loss of human beings going into brick-and-mortar stores, and having that conversation around why we do not also talk about the digital goods. At the same time, I was thinking modernization. If Assemblymember Anderson has the numbers, I know they were low.

I also want to bring up the fact that when we did Marketplace Facilitator, our projections were not super high, but when we got into the actual passing of that legislation, it literally saved the state. I had no idea. All I was focused on was we needed parity between brick and mortar and online retailers, and they were no longer in the space. When Wayfair came down, I was saying we should just do it all. I am only mentioning this to you because a lot of you were not in the building in 2019. It is something when you measure the money versus the policy; sometimes in revenue you need to think about the policy because at the time, I was thinking about the policy. We had low projections, but it was a national change where we needed to move forward, and then it ended up being this astronomical number that came through and saved the day.

My belief is when we shift into this space, we are going to see something change, because if they are not registered, if we do not have that product, if they are not responsible to report to the Department of Taxation, how will we know until we get into that market? With Marketplace Facilitator, we had no idea that during COVID-19, DoorDash would be our thing, or that Uber Eats would be our thing. These new products transform and then become

a part of the base. When it was passed, there was no DoorDash. You were not Uber Eating and you certainly were not Instacarting. Now that is a Marketplace Facilitator. I am saying this to you so when you think about policy, think about how things grow, transform, and shift because consumer behavior changes and that is what I want you to focus on. Assemblymember Anderson can give you a number. Think about it in terms of policy.

Assemblymember Anderson:
I do agree, it should be about the policy. I had emailed Mr. Nakamoto a few weeks ago and he was able to provide me with some information. This is for the digital products; they have prepared estimates of the potential tax base by looking at the commerce tax, Nevada gross revenue reported in fiscal year 2024. It is a few sentences. Do you wish me to read the whole thing?

Chair Backus:
Do you just have the total?

Assemblymember Anderson:
This is an estimate based on companies they believe would be captured in the tax. The estimated potential tax base of approximately $715 million in fiscal year 2026 and $743 million in fiscal year 2027. That would be about $14.9 million generated for the State General Fund and $18.5 million would be generated for the State Education Fund. That would be for fiscal year 2026. In 2027, it would be approximately $15.5 million generated for the State General Fund and approximately $19.3 million generated for the State Education Fund.

There is a concern there could be some other companies excluded for some reason or another. There is a belief this was reasonable, but a little bit more on the conservative side for an estimate.

Senator Neal:
You have to be clear, this is the 2 percent rate that goes into the General Fund. I know logically we always think about what we pay in Clark County, but this is the 2 percent rate.

Chair Backus:
And then we also pick up the local school support tax, which was also what Assemblymember Anderson had said. With that, I thank you so much for your presentation. I think the only two alumni from the 2019 Assembly Committee on Taxation when Senator Neal chaired are Assemblymember Hafen and me. We will now go to testimony in support of A.B. 453 here in Carson City.

Sarah Adler, Private Citizen, Carson City, Nevada:
I am here today as a grandmother and an education advocate. Simon & Garfunkel, "Bridge Over Troubled Water"; Cat Stevens, "Tea for the Tillerman," my jam. I am in complete support of both parts of the amended bill. I am about the policy and the revenue, but also the report. The Commission on School Funding has done brilliant work in alignment with what

Senator Neal has been doing for years, about how we can modernize our tax structure, and the digital download is first on their list. I also think, even though I am a longtime advocate of affordable housing that receives transferable tax credits, I think it is also appropriate that portion of the bill would look at future awards of transferable tax credits and whether that is the best use of our available revenue.

Andrew Clarke, representing New Day Nevada:
New Day Nevada is an organization that cares deeply about bolstering our state's revenue. We are here to make the revenue argument. Since the inception of the iTunes Store in 2003, digital commerce has boomed. Meanwhile, at the same time our schools are underfunded, our health care system could be on the verge of collapse with federal cuts, and our infrastructure has crumbled. With that said, A.B. 453 levels the playing field by applying the same tax structure to digital goods as physical goods, the same standard from Texas to my home state of New Jersey.

Ryley Svendsen, Policy Specialist, Nevada Coalition to END Domestic and Sexual Violence:
While I have never held a cassette before, we are here today in support of A.B. 453 for a simple reason. It takes an important step toward fixing Nevada's deeply regressive tax structure. By taxing digital products, lowering the commerce tax threshold, and ending unnecessary exemptions, this legislation ensures large corporations and high-profit industries pay their fair share, helping to generate stable, equitable revenue for our state. Right now, Nevada ranks near the bottom nationally in funding for critical services like domestic and sexual violence programs, housing, and education. Victim-survivors often cannot leave dangerous situations due to the lack of resources. Without consistent investment in community support systems, we cannot prevent violence or build safe, thriving communities. This bill creates a path toward a fair budget that reflects our values and meets the needs of all Nevadans. For that, we urge you to support A.B. 453.

Randy Robison, Director, Government and Community Affairs, City of Las Vegas:
There is no way to add to what either Assemblymember Anderson or Senator Neal said about the digital download portion of this bill. I will just echo those comments. We are in support of that. With respect to the other portions of the bill, or the conceptual amendment, we are neutral.

Wesley Harper, Director, Government Affairs, City of North Las Vegas:
We agree with the comments of our sister city, Las Vegas. I have personally been in this conversation with Senator Neal for years. I think her perspective is exactly correct, and this would be a great benefit to stabilize the revenue of the state. For this reason, we are in support.

Chair Backus:
We will go to Las Vegas for testimony in support.

Douglas Unger, Professor, University of Nevada, Las Vegas Chapter President, Government Relations, Nevada Faculty Alliance:
First of all, we wish to thank Senator Neal and Assemblymember Anderson for their years of dedication to working on Nevada's unstable revenue base by proposing solutions.

Assembly Bill 453 describes a modest excise tax on digital goods similar to, with variations, digital goods taxes in 38 of 50 states. It is time for Nevada to join them. This kind of proposal is a small part of a fuller set of revenue reforms our state desperately needs to escape the bipolar whiplash conditions of boom-and-bust budgets to which it feels like we have all been condemned. Gaming, hospitality, commerce, and other taxes are just not enough to sustain the well-being and aspirations of our state and its citizens, especially not in these current chaotic economic times.

Assembly Bill 453 is a sound bill and one part of the whole set of solutions we need. The Nevada Faculty Alliance strongly supports and thanks the Committee for their time and consideration.

Christian Solomon, West Regional Director, RISE:
I am speaking in support of A.B. 453. As a nerd and gamer, I do not mind paying more for digital downloadable gaming content and comic books, especially if it means further developing our state's infrastructure and improving public education. Assembly Bill 453 is simply closing a sales tax loophole that gives the wealthy an unfair advantage over everyone else. If I go to Alternate Reality Comics on Eastern Avenue and buy a comic book, I would be charged the sales tax, but if I buy the same one online, it would be tax-free. It is not fair that in our state, the local comic book shop owner is collecting sales tax on all products they have, while big companies like Apple and Amazon, who make billions, do not. This needs to change. If you want to hold tech giants accountable, modernize our tax system and prioritize our state's needs. Please support A.B. 453.

Chair Backus:
We will now go to the phone lines. Do we have anyone on the phone lines wishing to give testimony in support of A.B. 453?

Alexander Marks, representing Nevada State Education Association:
I am speaking in support of A.B. 453 as amended to tax the sale of digital products and to require review of transferable tax credits. We supported this idea the last few sessions, so this session we are just saying we hope you pass the digital plan. As the Commission on School Funding identified its recommendations, they recommended the expanding of a base of sales tax as one of their main recommendations in that plan to reach optimal education funding in ten years. Yesterday, we engaged at the K-12 budget subcommittee on education accountability [Assembly Committee on Ways and Means Subcommittees on K-12/Higher Education/CIP] to sound the alarm about Governor Lombardo's two-dollar budget for our kids.

Instead of cutting education, we called on the Governor and Legislature to Pass the Plan offered by the Commission. After years of work, the Commission did identify their optimal funding and proposed a revenue path that reached that level by 2035, and that includes reforming property tax abatements and depreciation, and expanding the base on sales tax. Assembly Bill 453 is an important step in passing the plan. Sadly, with Nevada's record of corporate tax giveaways—Tesla, Raiders, Oakland Athletics, and now, possibly, Hollywood—which would be the largest tax giveaway in Nevada history—the effects of those tax credits on the budget are real. According to the Economic Forum's December projections, Nevada is estimated to lose $119 million in General Fund revenue credits this year, and that goes up to $143 million next year, with $36 million in credits for the Oakland Athletics stadium applied without a single shovel hitting the ground. In fiscal year 2027, it rises to $157 million. These are funds that would otherwise be going to important services like education, so Nevada State Education Association asks for your support on A.B. 453. Pass the Plan.

[Exhibit R was submitted but not discussed and is included as an exhibit of the hearing.]

Chair Backus:
As there are no further callers in support, we will go to testimony in opposition to A.B. 453. We will start in Carson City.

Paul J. Moradkhan, Senior Vice President, Government Affairs, Vegas Chamber:
The Chamber is opposed to A.B. 453 as introduced. However, we do want to thank the bill sponsors for removing the sections in the proposed amendment [Exhibit O] regarding section 128 on the commerce tax component and section 156. If the amendment is adopted as proposed, the Chamber would move to neutral. We appreciate the work being done by Senator Neal and Assemblymember Anderson regarding digital goods tax and those efforts to have this dialogue.

Chair Backus:
We will go to Las Vegas for testimony in opposition to A.B. 453. [There was none.] Is there anyone on the phone lines wishing to give testimony in opposition to A.B. 453? [There was no one.] We will now go to neutral testimony. We will start here in Carson City.

Becky Dutro, Government Affairs Analyst, Nevada Taxpayers Association:
The Association is currently neutral on this bill with additional clarity being needed on several key issues. We have engaged with the bill sponsor and are actively working to address these questions. First, we appreciate the sponsor's clarification that the amendment language for section 128 will also be applied to sections 129 through 155, as this was one of our major concerns.

Related to the digital goods, additional clarification is needed to confirm the only digital equivalent of tangible goods, basically goods that were previously subject to sales and use tax, are being taxed. This like-for-like approach ensures consistency in the application of tax policy as goods evolve from physical to digital forms. We recommend ensuring there is clear

guidance on what types of digital goods are subject to taxation to align with this like-for-like concept. For instance, does this bill also include mobile apps, social media platforms, streaming services, subscriptions, and those sorts of things? It is also important to ensure the proposed tax structure aligns with the Streamlined Sales and Use Tax Agreement and that any definitions or terms are not in violation of that agreement. While I am not an expert on streamlined sales tax, it appears section 21 may not be in complete compliance with SSUTA sections 332 and 333, as these sections prohibit the term "specified digital products" within the definition of tangible personal property.

Finally, the bill should avoid creating an uneven burden on Nevada taxpayers. It is critical to ensure the tax does not disproportionately impact in-state consumers or businesses while creating loopholes for out-of-state or international businesses that may not have a nexus. Thank you to the bill's sponsors and the Committee for your time and consideration.

Chair Backus:
It does not look like we have anyone in Las Vegas, so we will go to the phone lines. Is there anyone wishing to give neutral testimony on A.B. 453? [There was no one.] As the bill sponsors have no closing remarks, we will go to the last item on our agenda, public comment. Is there anyone in Carson City, Las Vegas, or on the phone lines wishing to give public comment? [There was no one.] We are adjourned [at 6:55 p.m.].

RESPECTFULLY SUBMITTED:

_____
Gina Hall
Committee Secretary

APPROVED BY:

_____
Assemblymember Shea M. Backus, Chair

DATE: _____

EXHIBITS

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 100	C	Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Work Session Document
A.B. 135	D	Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Work Session Document
A.B. 226	E	Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Work Session Document
A.B. 243	F	Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Work Session Document
A.B. 359	G	Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Work Session Document
A.B. 362	H	Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Work Session Document
A.B. 403	I	Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Work Session Document
A.B. 441	J	Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Work Session Document
A.B. 471	K	Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Work Session Document
A.J.R. 1	L	Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Work Session Document
A.B. 435	M	Assemblymember Gregory S. Koenig, Assembly District No. 38	Conceptual amendment
A.B. 435	N	Chris Daly, Deputy Executive Director of Government Relations, Nevada State Education Association	Opposition statement
A.B. 453	O	Assemblymember Natha C. Anderson, Assembly District No. 30	Conceptual amendment

A.B. 453	P	Assemblymember Natha C. Anderson, Assembly District No. 30	Document titled, "Frequently Asked Questions"
A.B. 453	Q	Assemblymember Natha C. Anderson, Assembly District No. 30; and Senator Dina Neal, Senate District No. 4	Photos of various books and music media
A.B. 453	R	Chris Daly, Deputy Executive Director of Government Relations, Nevada State Education Association	Support statement