

NEVADA TAX COMMISSION MEETING
MINUTES

GAMING CONTROL BOARD
1919 College Pkwy, Suite 100
Carson City, Nevada

GAMING CONTROL BOARD
Grant Sawyer State Office Building
555 E Washington Avenue, Room 2450
Las Vegas, Nevada

January 23, 2017
9:00 a.m.

Members Present:

James DeVold, Chairman
Francine Lipman, Commissioner
John Marvel, Commissioner
Thomas Sheets, Commissioner (via telephone)
Craig Witt, Commissioner
Tony Wren, Commissioner
Ann Bersi, Commissioner
George Kelesis, Commissioner

Chairman DeVold called the meeting to order at 9:00 am.

Director Contine administered the oath to all meeting participants.

I. Public Comment

There was no public comment.

II. Consideration for Approval of the December 5, 2016 Nevada Tax Commission Meeting Minutes.

Commissioner Bersi made a motion to approve the Minutes of the December 5, 2016 Nevada Tax Commission meeting. Commissioner Kelesis seconds the motion. All in favor. Motion carries.

III. **CONSENT CALENDAR**

A. **Matters of General Concern:**

- 1) **Bonds Administratively Waived (dates as indicated) (Sales/Use Tax):**
 - a) Bulls Eye Technical Service Inc
 - b) Rafie H Gourial
 - c) Sahara Auto Sales Inc
 - d) Snvscooters LLC
 - e) Style China Inc
 - f) Be Stone Inc
 - g) Epmnlv Inc
 - h) Tim H Stevenson
 - i) Conrad and Sons Ltd
 - j) Mill Creek Io LLC
 - k) Abby Jos Cafe Girasole
 - l) Bangkok Cuisine LLC

- m) Death & Taxes LLC
- n) Diamond Auto Body Inc
- o) C & W Lock Glass & Safe Inc
- p) Spooks Galore LLC
- q) Jessi Incorporated

B. Waiver of Penalty and/or Interest Pursuant to NRS 360.419 that exceeds \$10,000:

- 1) Synergy Laboratories, Inc.
- 2) Deli Planet Inc.
- 3) Riordan Enterprises, Inc.
- 4) Macy's West Stores, Inc.
- 5) URS Federal Services Inc.
- 6) Don Alejandro's Texan Grill
- 7) Premium Waters, Inc.

C. Waiver of Penalty and Interest Pursuant to a Request on a Voluntary Disclosure (Sales/Use Tax):

- 1) Automobile Protection Corp
- 2) BAE Systems Applied Intelligence US Corp
- 3) Integrated Media Technologies, Inc.
- 4) Seeking Health, LLC
- 5) Silver Williams & Ford
- 6) SureID, Inc.
- 7) Terso Solutions
- 8) Artemis Internet Consultants, LLC
- 9) England Logistics, Inc.
- 10) Iwerks Entertainment
- 11) Maxwell Fabrics, Inc.
- 12) Rockwood Lithium, Inc.
- 13) Ross Video, Inc.
- 14) Ross Video, Limited

D. Consideration for Approval of the Recommended Settlement Agreements and Stipulations (civil penalties)

- 1) E+J Mini Mart
- 2) SRB Store LLC dba JB Liquor and Smoke

E. Consideration for Approval of the Recommended Settlement Agreements and Stipulations (sales/use and/or modified business tax)

- 1) Xtreme Green Electric Vehicles, Inc.

Commissioner Witt requested to pull Item III. C. 3) Integrated Media Technologies.

Commission Wren moved to approve the Consent portion of the calendar as a whole. Commissioner Witt seconds the motion. All in favor. Motion carries.

Commissioner Witt moved to approve Item III. C. 3) Integrated Media Technologies. Commissioner Lipman seconds the motion. All in favor. Motion carries.

IV. COMPLIANCE DIVISION:

A. Department's Recommendation to the Commission for Approval of an Offer-In-Compromise pursuant to NRS 360.263:

- 1) Fred Slark

Kathy Fey, Revenue Officer III, was present on behalf of the Department of Taxation. The Taxpayer was present.

Commissioner Kelesis moved to approve the Offer in Compromise of Fred Slark. Commissioner Bersi seconds the motion. All in favor. Motion carries.

2) Irene Durante

Kathy Fey, Revenue Officer III, was present on behalf of the Department of Taxation. The Taxpayer was present. Commissioner Kelesis made a motion to approve the Offer In Compromise of Irene Durante. Commissioner Bersi seconds the motion. All in favor. Motion carries.

3) Salvatore LaDuca

Diedra Armstrong, Revenue Officer III, was present on behalf of the Department of Taxation. The Taxpayer was present. Commissioner Kelesis moved to approve the Offer In Compromise of Salvatore LaDuca. Commissioner Bersi seconds the motion. All in favor. Motion carries.

4) Henry and Margaret Lujan

Diedra Armstrong, Revenue Officer III, was present on behalf of the Department of Taxation. The Taxpayer was present. Commissioner Kelesis moved to approve the Offer In Compromise of Henry and Margaret Lujan. Commissioner Bersi seconds the motion. All in favor. Motion carries.

Commissioner Sheets joined the meeting via telephone.

5) Himadri Patel

Lizette Arceo, Tax Program Supervisor II, was present on behalf of the Department of Taxation. The Taxpayer was not present. Commissioner Kelesis moved to approve the Offer In Compromise of Himadri Patel. Commissioner Bersi seconds the motion. All in favor. Motion carries.

6) James and Deborah Bennett

Brenda Rubalcava, Revenue Officer III, was present on behalf of the Department of Taxation. The Taxpayer was present. Commissioner Lipman moved to approve the Offer In Compromise of James and Deborah Bennett. Commissioner Witt seconds the motion. All in favor. Motion carries.

B. Petition for Reconsideration of Department's Denial of Exemption Status for Organization Created for Religious, Charitable or Educational Purposes pursuant to NRS 372.3261 (Sales/Use Tax):

1) Travelers Education Group

Andrea Nichols, Senior Deputy Attorney General, was present on behalf of the Department of Taxation. The Taxpayer was not present. Commissioner Marvel moved to uphold the denial of the Department of Taxation. Commissioner Witt seconds the motion. All in favor. Motion carries.

C. Appeal of Administrative Law Judge Decision pursuant to NRS 360.297:

1) Gabriel Maalouf

Louis Csoka, Deputy Attorney General, was present on behalf of the Department of Taxation. Gabriel Maalouf, Taxpayer, was present. Commissioner Bersi made a motion to uphold the decision of the Administrative Law Judge. Commissioner Witt seconds the motion. All in favor. Motion carries.

VI. COMPLIANCE DIVISION:

A. Informational Items:

- 1) Penalty and Interest Waivers granted by the Department for Sales/Use Tax, Modified Business Tax and Excise Tax (dates as indicated).
- 2) Approval and Denial Status Report Log for Organizations Created for Religious, Charitable or Educational Purposes (dates as indicated) (Sales/Use Tax Exemption).

Material for the informational items was provided to the Commission.

VII. Consideration for Approval of Adoption of Permanent Regulations:

- A. Adoption of proposed Revised Regulation relating to adopting provisions governing the effective date of changes in the sales and use tax rate imposed in the jurisdiction of a local government; revising provisions governing the exemption from the sales and use tax for food for human consumption; and providing other matters properly relating thereto. LCB File No. R020-16

Shellie Hughes, Chief Deputy Executive Director, presented LCB File No. R020-16 to the Commission.

There was no public comment.

Commissioner Witt made a motion to approve LCB File No. R020-16. Commissioner Marvel seconds the motion. All in favor. Motion carries.

VIII. BRIEFING:

- A. Briefing to/from the Commission and the Executive Director.

- 1) Presentation regarding implementation of Question 2 - Retail Marijuana.

Director Contine gave an overview of the initiative that was on the November 8, 2016 ballot in Question 2 and the Department of Taxation's efforts to implement the recreational or retail sale of marijuana program.

On January 1, 2017, it became legal in Nevada to possess up to an ounce of marijuana. Marijuana can only be purchased from licensed Nevada businesses, and you can grow up to six plants if you live more than 25 miles from a licensed retail store.

The Department is responsible for issuing renewals, issuing licenses, renewing licenses, suspending licenses and revoking licenses for cultivators, producers, retail establishments, labs that test marijuana, and distributors. The Department will also collect license fees. The application fee is \$5,000 and the license fees range from \$15,000 to \$30,000, depending on the type of entity that is licensed.

The Department will also be responsible for drafting regulations for security of the facilities, preventing diversion and sale of marijuana to people under 21 years of age, packaging, testing, labeling, recordkeeping, signage, collecting taxes and fees, transfers of licenses, dual licenses, and also establishing the fair market value.

The Department has until January 1, 2018 to fully license marijuana establishments. For the first 18 months after we start issuing licenses, we will only issue licenses to current medical marijuana establishments. Also, for 18 months after we begin licensing distributors, the wholesale liquor licensees, under Chapter 369, have the right of first refusal on those distribution licenses. We have sent letters to all licensed liquor wholesale dealers to gauge their interest to enter the marijuana distribution market.

The Department is working through a few challenges, such as defining the terms of medical marijuana establishments that are in good standing, which will be done by regulation, licensing distributors, setting a wholesale price, zoning issues, and the different tax structures for medical versus retail. Medical marijuana is a two percent tax from cultivator to production, two percent from production to dispensary, two percent from dispensary to consumer and sales tax does apply. The tax structure for retail marijuana is a fifteen percent tax at wholesale, regular sales tax applies at retail, and there is a proposal for an additional ten percent excise tax at retail. Local governments can also issue business licenses and they may have fees for special use permits for zoning.

There is a desire both by the state and by the industry to have an early start program, which will be done by regulation in the temporary regulation phase. We anticipate the early start program to begin on July 1, 2017. We

hope to start accepting applications from licensed medical marijuana establishments, which are in good standing, sometime between May and June.

The Department has submitted an IFC request to hire four staff people to administer the program. The Department has had a lot of meetings with the health division to learn about their medical marijuana program. FAQs are currently available on the Department of Taxation's website and a press release has been issued. A separate marijuana website is currently being built.

IX. Next Meeting Date: March 6, 2017

X. Public Comment

Riana Durrett, Executive Director of the Nevada Dispensary Association, stated the Nevada Dispensary Association represents 80 percent of the dispensaries statewide and 85 percent in Southern Nevada. The website is: nvdispense.com. Ms. Durrett has been in contact with the Department and is available to assist anytime.

Jim Hartman, of the Nevadans for Responsible Drug Policy, stated Nevada is hoping for an early start program, while other states, including Massachusetts, asked for an extension. Colorado has hired over fifty people in their Department of Revenue for their marijuana program, while Nevada is currently asking for four people. Mr. Hartman expressed his concerns and hopes that Nevada is taking this very seriously. The high tax rates may be a way for the black market to continue in Nevada.

Wade Koopmann asked if the Department plans on asking retailers, that have their own production license, to use a licensed distributor; or will the retailer be able to transport their own product from their facility to their own store.

Director Contine stated that the requirement to have a distributor's license is in the initiative and it cannot be changed for three years. If there are not enough distributors, we could license other entities through the regulatory process.

Scott Rutledge, of the Nevada Cannabis Coalition, stated that he managed Question 2 on the pro side of the campaign. By fast tracking we are working toward eliminating the black market. Nevada's medical marijuana has been handled very well and has been considered a gold standard in comparison to other states. Nevada does have an opportunity to create a gold standard with recreational marijuana as well. We are here for the Department as a resource.

Chairman DeVold asked that Director Contine give the Commission updates on the recreational marijuana program as it moves forward.

No other public comment.

XI. Items for Future Agendas. Chairman DeVold asked that Director Contine please keep updating the Commission on the marijuana matters.

XII. Meeting adjourned at 10:21 a.m.