

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

**Eighty-second Session  
May 11, 2023**

The Senate Committee on Revenue and Economic Development was called to order by Chair Dina Neal at 2:06 p.m. on Thursday, May 11, 2023, in Room 2149 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator Dina Neal, Chair  
Senator Fabian Doñate, Vice Chair  
Senator Heidi Seevers Gansert  
Senator Carrie A. Buck

**COMMITTEE MEMBERS ABSENT:**

Senator Pat Spearman (Excused)

**GUEST LEGISLATORS PRESENT:**

Assemblyman Gregory T. Hafen II, Assembly District No. 36

**STAFF MEMBERS PRESENT:**

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst  
Christian Thauer, Deputy Fiscal Analyst  
Janet Stokes, Committee Secretary

**OTHERS PRESENT:**

Misty Grimmer, Nevada Resort Association  
Caitlin Gatchalian, American Heart Association  
Shellie Hughes, Executive Director, Nevada Department of Taxation  
Jeff Mitchell, Deputy Director, Excise and Local Government Services, Nevada  
Department of Taxation

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Yvonne Nevarez-Goodson, Chief Deputy Director, Nevada Department of  
Taxation

CHAIR NEAL:

We have two bills today. Assemblyman Gregory Hafen will present Assembly Bill (A.B.) 122.

[ASSEMBLY BILL 122 \(1st Reprint\)](#): Revises provisions relating to tobacco.  
(BDR 32-728)

ASSEMBLYMAN GREGORY T. HAFEN II (Assembly District No. 36):

During the 2021 Legislative Session, the Legislature approved A.B. No. 360 of the 81st Session. This measure prohibited a person from selling, distributing or offering to sell cigarettes, cigarette papers or other tobacco products to any person under the age of 40 without first conducting age verification through enhanced controls that utilize scanning technology or other automated software-based systems to ensure the purchaser is of age.

The bill I am presenting today, A.B. 122, provides an exception to these provisions and allows casinos to sell or distribute cigarettes without the electronic age verification.

Section 1, subsection 3, provides an exception to the age verification requirement governing the sale, distribution or offering for sale of tobacco products in a face-to-face transaction that occurs within areas of a casino where persons under the age of 21 are already prohibited from loitering. This exception applies to casinos that hold a nonrestricted gaming license and operate 16 or more slot machines together with any other game, race book or sports pool.

MISTY GRIMMER (Nevada Resort Association):

As Assemblyman Hafen mentioned, A.B. 122 creates an exclusion from the age verification requirement just for the casino floor of nonrestricted licenses with a full casino environment. The electronic age verification process would still apply in other areas of these properties, such as retail outlets. The circumstances that exist on the casino floor make electronic age verification of each tobacco transaction challenging and unnecessary. The challenges come from servers and patrons constantly on the move from one machine to the next or one table to the next. Keeping track of who has not been verified is difficult.

Often, tobacco provided on the gaming floor is a comp given to active players and does not fit the mold of the traditional retail transaction where the scanning equipment is readily at hand. More importantly, the casino floor is already an area that is highly surveilled and restricted to prohibit the presence of people under the age of 21. Security and casino personnel strictly enforce this requirement to ensure compliance with all gaming control regulations for the preservation of the gaming license.

As you might imagine, the integrity of the gaming license is of the highest importance to casino properties. We take age restriction enforcement seriously. For these reasons, we have worked with the Attorney General's Office and drafted the limited exclusion in [A.B. 122](#). The exclusion applies only to nonrestricted licensees that have additional table games or sports books. This is to prevent the exclusion from also applying to nonrestricted licenses such as laundromats or grocery stores that may have been grandfathered in when the nonrestricted licensee definitions were put into statute years ago.

It was also important to the Attorney General's Office that the exclusion be only for face-to-face transactions, and vending machines located on the gaming floor would still require the age verification process. We fully support the Attorney General's Office to bring Nevada into compliance with federal requirements to lower the number of underage people smoking. It was important for us that the Attorney General's Office gave input on this bill. It is also why we supported the Office in presenting [Assembly Bill 53](#), which you heard earlier this week.

**[ASSEMBLY BILL 53 \(1st Reprint\)](#)**: Revises provisions relating to sales of tobacco products. (BDR 32-421)

CAITLIN GATCHALIAN (American Heart Association):

The American Heart Association opposes provisions in [A.B. 122](#) to not check identification when offering to sell tobacco products in an area within a casino where there is loitering by persons under 21 years of age. Currently, people who enter casinos do not have to get their IDs checked unless it is a strictly 21-plus casino. There is no way to tell if someone is not 21 unless you do an ID check. This policy would not be in alignment with national best practices for reducing tobacco sales to minors. Please oppose [A.B. 122](#).

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VICE CHAIR DOÑATE:

The Committee received one letter ([Exhibit C](#)) in support of A.B. 122. We will close the hearing for A.B. 122 and move to A.B. 455.

**ASSEMBLY BILL 455 (1st Reprint)**: Authorizes the imposition of a civil penalty by the Department of Taxation for certain violations relating to contraband tobacco products. (BDR 32-1068)

SHELLIE HUGHES (Executive Director, Nevada Department of Taxation):

I have with me today Chief Deputy Yvonne Nevarez-Goodson and Deputy Director Jeff Mitchell. We will discuss the background of the contraband tobacco problem and what led to A.B. 455. Deputy Director Mitchell will discuss the purpose of the bill and Chief Deputy Nevarez-Goodson will discuss how A.B. 455 will resolve the problem.

This bill applies only to the seizure of contraband tobacco products. *Nevada Revised Statutes* (NRS) 370.025 defines contraband tobacco products as counterfeit cigarettes or tobacco product or cigarette or tobacco products that are shipped, delivered, sold, exchanged, transported, distributed or held for distribution in the State by any person in violation of the provisions of NRS 370. These violations include not being licensed by the Department or possessing products in which the tax has not been paid. A presentation ([Exhibit D](#)) outlines the history of tobacco products contraband and A.B. 455.

During the 2019 Legislative Session, S.B. No. 263 of the 80th Session was passed and required sellers of vape products to be registered with the Department. This bill also imposed an excise tax upon the receipt, purchase or sale of a product. When the bill became effective in 2020, our investigators discovered a significant amount of contraband vape products in the field and began to seize that contraband.

It was at that time the Department learned that the federal regulations have determined vape products to be hazardous and as a result, these products are costly to destroy. Senate Bill No. 263 of the 80th Session did not provide an appropriation to the Department to cover the costs of transporting, storing and destroying these products. The State through the Department has spent up to \$200,000 per year on these costs since the passage of that bill.

JEFF MITCHELL (Deputy Director, Excise and Local Government Services, Nevada Department of Taxation):

The Department performed 809 investigations in fiscal year (FY) 2021-2022 and 795 investigations in FY 2022-2023, [Exhibit D](#), page 3. These investigations resulted in 67 seizures of tobacco contraband in FY 2021-2022 and 58 seizures so far in FY 2022-2023. Large seizures for storage, transportation and destruction can be costly.

The provisions in [A.B. 455](#) offset the cost for the Department to transport, store and destroy these products by allowing for the imposition of a civil penalty on those businesses that are found to be in possession of contraband tobacco products. The cost for this process should be borne by the businesses that illegally possess these products and not by the State. Thus, it is important for the Department to have the ability to impose a civil penalty to help cover the costs to properly handle the seized material. A business can appeal the imposition of the civil penalty if the business believes the penalty was improperly imposed.

YVONNE NEVAREZ-GOODSON (Chief Deputy Director, Nevada Department of Taxation):

The bill amends NRS 370.415 by adding subsection 6, which authorizes the Department to impose a civil penalty on those who knowingly sell or possess tobacco contraband for the purpose of selling those products or exporting, importing, possessing or constructively possessing contraband tobacco products the Department has seized. The amount of the civil penalty imposed is either a minimum of \$10,000 or the total cost to the Department, whichever is greater. This would shift the cost of this unlawful activity from the State to the person violating the law, [Exhibit D](#), pages 4 and 5.

VICE CHAIR DOÑATE:

Just to clarify, I know the bill talks about contraband of tobacco. Is there such a thing as contraband vaping products that are not tobacco but would be included in this provision?

MS. HUGHES:

Yes, there is. As defined in NRS 370, whatever is defined as a vape product comes under "other tobacco products." If people are in possession with the intent to sell and have not registered with the Department, or the tax has not been paid, yes, that would be considered contraband.

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VICE CHAIR DOÑATE:

The Committee received one letter ([Exhibit E](#)) in opposition of A.B. 455. I will close the hearing on A.B. 455. This meeting is adjourned at 2:22 p.m.

RESPECTFULLY SUBMITTED:

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Janet Stokes,  
Committee Secretary

APPROVED BY:

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Senator Dina Neal, Chair

DATE: \_\_\_\_\_

<b>EXHIBIT SUMMARY</b>				
<b>Bill</b>	<b>Exhibit Letter</b>	<b>Introduced on Minute Report Page No.</b>	<b>Witness / Entity</b>	<b>Description</b>
	A	1		Agenda
	B	1		Attendance Roster
A.B. 122	C	4	Senator Fabian Doñate	Letter in Support
A.B. 455	D	4	Shellie Hughes / Nevada Department of Taxation	Presentation
A.B. 455	E	6	Senator Fabian Doñate	Letter in Opposition