

FINANCIAL IMPACT OF THE STATEWIDE STATUTORY INITIATIVE PETITION –
IDENTIFIER: S-01-2020

FINANCIAL IMPACT - YES

The Statewide Statutory Initiative Petition – Identifier: S-01-2020 (Initiative) proposes to amend NRS 463.370, which requires the payment of a monthly license fee by certain gaming licensees operating within the state of Nevada, by adding an additional revenue threshold and tax rate for this monthly fee.

FINANCIAL IMPACT OF THE INITIATIVE

Pursuant to Article 19, Section 2 of the *Nevada Constitution*, an initiative proposing to amend the *Nevada Revised Statutes* must be enacted or rejected by the Legislature within the first 40 days of the next regular session, which will begin on February 1, 2021. If the Legislature and Governor approve the Initiative, the provisions become effective on July 1, 2021, and may be amended during the next following legislative session.

If the Initiative is not approved, it will be submitted to the voters at the November 2022 General Election. If it is approved by the voters at that election, the Initiative becomes law upon the canvass of the votes, which would occur on the fourth Tuesday of November (November 22, 2022) per NRS 293.395, with an effective date of January 1, 2023, and may not be amended by the Legislature for a period of three years.

Under current law, NRS 463.370 requires a nonrestricted gaming licensee to pay a monthly license fee to the Nevada Gaming Control Board (GCB) based on the gross revenue of that licensee. The three-tier fee is imposed as follows:

- 3.5 percent on all gross revenue not in excess of \$50,000 per calendar month;
- 4.5 percent on all gross revenue in excess of \$50,000 per calendar month, but not in excess of \$134,000 per calendar month; and
- 6.75 percent on all gross revenue in excess of \$134,000 per calendar month.

The provisions of the Initiative add a fourth revenue tier and tax rate to the license fee imposed pursuant to NRS 463.370 where monthly gross revenue in excess of \$250,000 would be taxed at 9.75 percent, such that the license fee upon nonrestricted gaming licensees would be as follows:

- 3.5 percent on all gross revenue not in excess of \$50,000 per calendar month;
- 4.5 percent on all gross revenue in excess of \$50,000 per calendar month, but not in excess of \$134,000 per calendar month;
- 6.75 percent on all gross revenue in excess of \$134,000 per calendar month, but not in excess of \$250,000 per calendar month; and
- 9.75 percent on all gross revenue in excess of \$250,000 per calendar month.

A nonrestricted gaming licensee, pursuant to NRS 463.1077, is a gaming operation with 16 or more slot machines; any number of slot machines together with any other game, gaming device, race book, or sports pool at one establishment; a slot machine route operator; or an operator of an inter-casino linked system.

For Fiscal Year 2019 (July 1, 2018-June 30, 2019), which is the last full fiscal year for which actual collection information is known, the license fee imposed under current law generated approximately \$752.2 million for the State General Fund before the application of any tax credits that may be taken against this fee under current law. Based on this actual amount, the Nevada Gaming Control Board estimates that the additional tier, had it been effective in Fiscal Year 2019, would have generated approximately \$317.6 million, or a 42.2 percent increase, in additional revenue from this license fee on gaming revenue for the State General Fund.

For Fiscal Year 2021, the Economic Forum, in its May 1, 2019, forecast, estimates that this license fee on gaming revenue will generate approximately \$792.1 million for the State General Fund before the application of any tax credits that may be taken against this fee under current law. If the provisions of the Initiative were in effect during Fiscal Year 2021, a 42.2 percent increase in this amount would result in approximately \$334.3 million in estimated additional revenue dedicated to the State General Fund in Fiscal Year 2021.

If the Initiative is enacted by the Legislature and approved by the Governor during the 2021 Session, the provisions contained therein would become effective on July 1, 2021, and provide additional revenue beginning in Fiscal Year 2022 and going forward. However, if the Initiative is not approved during the 2021 Session, but is approved by the voters at the November 2022 General Election, the provisions contained therein would become effective on January 1, 2023, and provide additional revenue beginning in the second half of Fiscal Year 2023 and going forward.

Under current law, a portion of the proceeds from this license fee that is generated from wagers on off-track pari-mutuel wagering, less administrative and collection costs that may be withheld by the GCB, is required to be allocated on a *pro rata* basis among the counties in Nevada whose population is less than 100,000 (all counties except for Clark and Washoe) in which on-track pari-mutuel wagering is conducted with the remainder deposited in the State General Fund, pursuant to NRS 463.320, as follows:

- 0.04 percent of the license fee generated from wagers on off-track pari-mutuel wagering in excess of \$134,000 per month; and
- 10 percent of the license fee generated from these wagers in excess of \$5,036,938 per calendar year.

The provisions of the Initiative may also increase the amount of the distribution to counties whose population is less than 100,000 where pari-mutuel wagering is conducted, either at the beginning of Fiscal Year 2022 (if enacted by the Legislature and approved by the Governor), or beginning in the second half of Fiscal Year 2023 (if approved by the voters), depending on how much of the monthly revenue generated from wagers on off-track pari-mutuel wagering is in excess of \$250,000. However, the Fiscal Analysis Division cannot estimate any additional amount that may be generated for these counties with any reasonable degree of certainty.