

Nevada: Lawmakers lure Faraday Future to Las Vegas with tax incentive



David M. Kall | Friday, January 8, 2016

On Dec. 21, 2015, Gov. Sandoval issued a [press release](#) touting a ceremony in which he signed several important bills that lawmakers passed in a special session. The legislation pertains to a tax incentive package enticing Faraday Future, a California-based business, to launch a \$1 billion, 3 million square foot state of the art production facility in Las Vegas.

Faraday Future describes itself as a technology company that “take[s] a user-centric, technology-first approach to vehicle design with the ultimate aim of connecting the automotive experience to the rest of [one’s] life.” They plan to do this with fully electric vehicles that “offer smart and seamless connectivity to the outside world.” The firm specializes in innovation “beyond traditional electric vehicles,” like autonomous driving.

In order to assess the opportunity, the Governor's Office of Economic Development contracted with Applied Economics (AE) to conduct an economic impact study, including a net tax revenue analysis. Using hypothetical assumptions, along with the best available economic and tax information, AE’s [project summary](#) forecasted the following:

- 4,500 jobs within the next nine years
- An average wage of \$22.10 per hour in 2015 dollars
- Faraday Future’s \$638 million investment in land and buildings

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- Faraday Future's \$737 million investment in equipment over 20 years
- Annual economic impact of \$5.6 billion, including \$695 million in annual personal income, once fully operational
- Economic impact of \$87.5 billion, including \$10.7 billion in annual personal income, over the next 20 years in Clark County

The project summary estimates \$156.2 million in direct revenues, net of incentives, over 20 years. This consists of the following provisions:

- All sales tax on equipment purchases and construction materials would be abated for the first 15 years. After that, sales tax revenues are estimated to be \$2.5 million.
- Real and personal property taxes would be partially abated, at a rate of 75 percent over ten years. Over 20 years, \$116.7 million could be generated in state and local property taxes, net of incentives.
- Modified business taxes would also be partially abated, at a rate of 75 percent over ten years. The remainder of this is estimated to generate \$31.8 million over 20 years.

Ultimately, the plan could generate \$767.1 million in direct and indirect tax revenues, net of abatements and reimbursements, to state and local governments over 20 years.

Not everyone is excited about the project. The [Nevada Policy Research Institute](#) criticized the tax breaks and subsidies as “just the latest example of state politicians trying to pick winners and losers.” The institute characterized Faraday Future as politically connected, but with no real-world record. It took the position that the deal sends the wrong message to job creators, entrepreneurs and small businesses that “will be laboring under a slew of burdensome new taxes.”

The institute also pointed out that in a similar deal with Tesla Motors, another car maker, Gov. Sandoval promised 700 new jobs in 2015, but only 24 came to fruition.

Similarly, the [Progressive Leadership Alliance of Nevada](#) urged caution, to “make sure there are mechanisms in place” to ensure that the tax breaks accomplish the promised labor and workforce results.

Nevertheless, the future is coming to Las Vegas. Faraday unveiled its [new concept](#) for mobility at the Consumer Electronics Show on Jan. 4, 2016. Its goal is “to build a car with a sixth sense for its driver's intentions and needs. One with adaptive personalization, seamless transfer of custom vehicle configurations, access to live images, and real time data visualization.”



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