

October 1, 2021

The Honorable Steve Sisolak  
Office of the Governor  
One Hundred One North Carson Street  
Carson City, Nevada 89701

Ms. Brenda Erdoes, Director  
Legislative Counsel Bureau  
401 South Carson Street  
Carson City, Nevada 89701

**Re: Annual Report  
Projects with Capital Investments of \$3.5 Billion  
Pursuant to NRS 360.975**

Dear Governor Sisolak and Director Erdoes:

Pursuant to NRS 360.975 the Governor's Office of Economic Development is submitting its annual report for the Qualified Project commonly known as the Tesla Gigafactory (the "Project"). The attached report is based on information provided by the Lead participant, Tesla Motors, Inc., and addresses the following statutory questions:

- (a) For the immediately preceding fiscal year;
- 1) The number of applications submitted pursuant to NRS 360.945
  - 2) The number of qualified projects for which an application was approved;
  - 3) The amount of transferable tax credits approved;
  - 4) The amount of transferable tax credits used;
  - 5) The amount of transferable tax credits transferred;
  - 6) The amount of transferable tax credits taken against each allowable fee or tax, including the actual amount used and outstanding, in total and for each qualified project;
  - 7) The number of abatements approved;

- 8) The dollar amount of the abatements;
  - 9) The number of employees engaged in construction of each qualified project who are residents of Nevada and the number of employees employed by each participant in a qualified project who are residents of Nevada;
  - 10) The number of qualified employees employed by each participant in a qualified project and the total amount of wages paid to those persons; and
  - 11) For each qualified project, an assessment of whether the participants in the qualified project are making satisfactory progress towards meeting the investment requirements necessary to support the determination by the Office that the project is a qualified project
- (b) For each abatement from taxation that the Office approved during the fiscal years which are 3 fiscal years, 6 fiscal years, 10 fiscal years and 20 fiscal years immediately preceding the submission of the report:
- 1) The dollar amount of the abatement;
  - 2) The value of infrastructure included as an incentive for the qualified project;
  - 3) The economic sector in which each participant in the qualified project operates, the number of primary jobs related to the qualified project, the average wage paid to employees employed by the participants in the qualified project and the assessed values of personal property and real property of the qualified project; and
  - 4) Any other information that the Office determines to be useful.

If further information is required, please contact me at your convenience.

Respectfully yours,



Melanie Sheldon  
Director of Business Development – Southern Nevada

cc: Michael Brown, Executive Director, GOED

**Annual Report**  
**Projects with Capital Investments of \$3.5 Billion**  
Pursuant to NRS 360.975  
(FY 2021)

A. For the immediately preceding fiscal year, the NRS requirements and responses are as follows:

- 1) The number of applications submitted pursuant to NRS 360.945: **The number of applications submitted pursuant to NRS 360.945 was zero (0) for FY 2021. In FY 2015, one application was submitted by Tesla Motors, Inc. for the project typically known as the “Tesla Gigafactory.”**
- 2) The number of qualified projects for which an application was approved: **The number of qualified projects for which an application was approved was zero (0) for FY 2021.**
- 3) The amount of transferable tax credits approved: **The amount of transferable tax credits approved for use in FY 2021 was \$0. Total approved for all periods is \$195,000,000.**
- 4) The amount of transferable tax credits used: **The amount of transferable tax credits used by Tesla Motors, Inc. was \$0.**
- 5) The amount of transferable tax credits transferred: **The amount of transferable tax credits transferred by Tesla Motors, Inc. was \$0.**
- 6) The amount of transferable tax credits taken against each allowable fee or tax, including the actual amount used and outstanding, in total for each qualified project: **The amount of transferable tax credits taken against each allowable fee or tax, including the actual amount used and outstanding in total for each qualified project, were taken against Gaming License Fees imposed by NRS 463.370 and totaled \$0.**
- 7) The number of abatements approved: **The number of abatements approved was zero (0) in FY 2021.**
- 8) The dollar amount of the abatements: **The dollar amount of the abatements in FY 2021 totaled \$63.8 million, including \$14.97 million in Sales Taxes on construction materials, equipment, and other property, \$11.1 million in Modified Business Tax, \$7.4 million in Real Property Tax, and \$30.3 million in Personal Property Tax. Also, 100 percent claw-back plus interest provisions are contractually activated if the project fails to reach the required minimum 10-year investment of \$3.5 billion.**

*Source: Storey County Assessor’s Office, Nevada Department of Taxation*

9) The number of employees engaged in construction of each qualified project who are residents of Nevada and the number of employees employed by each participant in a qualified project who are residents of Nevada: **The number of employees engaged in construction of each qualified project who are residents of Nevada and the number of employees employed by each participant in a qualified project who are residents of Nevada are included below:**

- i. **Total number of construction employees who are Nevada residents: 9,148**
- ii. **Total number of Nevada residents who are employees of participants: 7,534 total Nevada residents, which includes 4,669 for Tesla Motors, 2,663 for Panasonic Electronics North America (PENA) and 202 for H&T Nevada, LLC**

*Source: Tesla Motors, Inc. / Eide Bailly LLP– Report of Independent Accountants on Applying Agreed Upon Procedures*

10) The number of qualified employees employed by each participant in a qualified project and the total amount of wages paid to those persons: **The number of qualified employees (QEs) employed by each participant in a qualified project and the total amount of wages paid to those persons is as follows:**

- i. **Total number of QEs of participants: 8,574 total QEs; 5,644 for Tesla Motors, 2,690 for Panasonic Electronics North America (PENA), and 240 for H&T Nevada, LLC**
- ii. **Total wages paid: \$968.4 million in wages were paid to 8,574 QEs to date which, adjusted for actual hours, equates to \$56.37 per hour**

*Source: Tesla Motors, Inc. – internal reporting*

11) For each qualified project, an assessment of whether the participants in the qualified project are making satisfactory progress towards meeting the investment requirements necessary to support the determination by the Office that the project is a qualified project: **For each qualified project, GOED provides an assessment of whether the participants in the qualified project are making satisfactory progress towards meeting the investment requirements necessary to support the determination by the Office that the project is a qualified project:**

- i. **Tesla reports an estimated total combined investment of \$6.0 billion through June 30, 2021**
- ii. **Based on this investment, and observations of physical progress at the site, GOED has determined for FY 2021 that Tesla is making satisfactory progress towards meeting the investment requirements necessary to maintain its status as a qualified project**

*Source: Tesla Motors, Inc. / Eide Bailly LLP– Report of Independent Accountants on Applying Agreed Upon Procedures*

**B.** For each abatement from taxation that the Office approved during the fiscal years which are 3 fiscal years, 6 fiscal years, 10 fiscal years and 20 fiscal years immediately preceding the submission of the report:

1) The dollar amount of the abatement:

	2015	2016	2017	2018	2019	2020	2021	Combined total
RPT	-	\$ 2,364,797	\$ 5,595,710	\$ 6,139,331	\$ 6,284,005	\$ 6,220,544	\$ 7,363,690	
PPT	-	\$ 334	\$ 156,993	\$ 17,377,826	\$ 27,964,821	\$ 34,363,259	\$ 30,348,465	
MBT	\$ 59,067	\$ 396,916	\$ 1,251,559	\$ 2,772,508	\$ 4,284,572	\$ 7,056,810	\$ 11,066,416	
SUT	\$ 2,532,930	\$ 5,136,661	\$ 68,832,963	\$ 51,163,942	\$ 17,417,131	\$ 13,809,902	\$ 14,973,912	
Total	\$ 2,591,997	\$ 7,898,708	\$ 75,837,225	\$ 77,453,607	\$ 55,950,529	\$ 61,450,515	\$ 63,752,483	\$ \$344,935,064

Source: Storey County Assessor's Office, Nevada Department of Taxation

2) The value of infrastructure included as an incentive for the qualified project: **No infrastructure was provided as an incentive for this qualified project.**

3) The economic sector in which each participant in the qualified project operates, the number of primary jobs related to the qualified project, the average wage paid to employees employed by the participants in the qualified project and the assessed values of personal property and real property of the qualified project:

**Project to date**

	Tesla	PENA	H&T	Valeo
Economic Sector	Manu.	Manu.	Manu.	Manu.
New Qualified Employees (NQEs)	5,644	2,690	240	0
Number of Nevadan residents NQEs	4,669	2,663	202	0
NQE Residency Percentage	83%	99%	84%	0
Average Wage	\$ 44.72	\$ 29.28	\$ 32.37	0

Source: Tesla Motors, Inc. / Eide Bailly LLP – Report of Independent Accountants on Applying Agreed Upon Procedures

RPT Assessed Values	Tesla	PENA	H&T	Valeo
2016-17	\$ 68,332,897	-	-	-
2017-18	\$ 161,692,999	-	-	-
2018-19	\$ 177,401,419	-	-	-
2019-20	\$ 181,581,894	-	-	-
2020-21	\$ 179,748,133	-	-	-

Source: Storey County Assessor's Office

PPT Assessed Values	Tesla	PENA	H&T	Valeo
2015-16	\$ 9,649	-	-	-
2016-17	\$ 4,516,053	\$ 20,415	-	-
2017-18	\$ 151,257,236	\$ 342,638,323	\$ 3,663,453	\$ 4,588,69
2018-19	\$ 284,186,838	\$ 503,860,156	\$ 15,989,255	\$ 4,032,091
2019-20	\$ \$391,154,268	\$ 569,965,152	\$ 27,868,252	\$ 3,969,230
2020-21	\$ 323,495,816	\$ 520,883,391	\$ 28,558,656	\$ 4,007,999

Source: Storey County Assessor's Office



Agreed-Upon Procedures  
Period of July 1, 2020 through June 30, 2021

**Tesla, Inc.**



## Independent Accountant's Report on Applying Agreed-Up Procedures

To the Board of Directors and Management  
Tesla, Inc.  
Palo Alto, California

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and Management of Tesla, Inc. (the "Company" or "Lead Participant") and the State of Nevada (the "Regulator") (collectively the "Specified Parties"), related to the Company's schedules of qualified employees and construction employees and to the Company's listing of all capital investments made by each Participant (as defined in the SB1 Incentive Compliance Agreement) in the State of Nevada for the period of July 1, 2020 through June 30, 2021 (the "Period"). The Company's management is responsible for the Company's compliance with the State of Nevada SB1 Incentive Compliance agreement for the period of July 1, 2020 through June 30, 2021.

The Company has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in understanding the Company's compliance with the State of Nevada SB1 Incentive Compliance Agreement during the period of July 1, 2020 through June 30, 2021, and we will report our findings based on the procedures performed. Additionally, the State of Nevada has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

### Required Qualified Employee Audit Data (Exhibits A-D)

1. We obtained a schedule from each Participant listing all qualified employees of the Project Site for the period of July 1, 2020 through June 30, 2021, except for Valeo North America, Inc. who did not report any qualified employees.
2. We selected a sample of 25% of the qualified employee additions during the period per the summary sheet. For each selected qualified employee: we agreed wages paid to a paystub or W-2 form (or equivalent system-generated payroll report) to include wages, 401(k) contributions, and cafeteria plan contributions; we agreed residency status to a copy of their

current (during the period under review) and valid Nevada driver's license, a copy of their current (during the period under review) motor vehicle registration, or other Nevada DMV proof of residency; and we agreed qualified employee status to the payroll information obtained above to verify that the qualified employee was employed full-time and scheduled to work for an average of 30 hours per week at the Project site and had been for at least three consecutive months as of June 30, 2021, as well as proof that the qualified employee was offered coverage under a plan of health insurance provided by the Participant. Our sample selected resulted in the 90% accuracy threshold being met.

3. We recalculated the average wage of qualified employees to verify that the minimum average wage of \$22.00 was met without exception.
4. We recalculated the residency as a percentage of qualified employees for the project to date to verify the percentage reported and that at least 50% of qualified employees are Nevada residents, as required, was met without exception.
5. We agreed the schedule of qualified employees obtained from each participant to the Required Qualified Employee Audit Data form without exception.

We noted that in prior reporting periods, the Company exceeded the goal of hiring 6,000 employees per the SB1 Incentive Compliance agreement and earned the maximum qualified employee tax credit of \$75,000,000.

#### **Combined Required Construction Employee Audit Data (Exhibit I)**

1. We obtained a schedule listing all construction employees of the Project Site for the period of July 1, 2020 through June 30, 2021.
2. We selected a sample of 25% of the construction employee additions during the period listed as Nevada residents per the summary sheet. For each selected construction employee, we agreed residency status to a current (during the period under review) and valid Nevada driver's license, a copy of their current (during period under review) motor vehicle registration, or other Nevada DMV proof of residency. Our sample selected resulted in the 90% accuracy threshold being met.
3. We recalculated the residency as a percentage of construction employees for the project to date to verify the percentage reported and that at least 50% of construction employees are Nevada residents, as required, was met without exception.
4. We agreed the schedule of construction employees obtained from each participant to the Combined Required Construction Employee Audit Data form without exception.

#### **Required Property Audit Data (Exhibits A, E-H)**

1. We obtained the real and personal property listings from each Participant listing all capital investments made by each Participant in the State of Nevada for the period of July 1, 2020 through June 30, 2021, except for Valeo North America, Inc. who did not report any capital investments. During our testing, it was noted that the Company had inadvertently excluded certain assets cumulatively totaling approximately \$1.3 billion from the property listings received for testing. This was due to the Company omitting certain location codes that were part of the Gigafactory from the population. This amount was included in the current period population and tested as part of the property additions as described below.
2. We selected a sample of property additions of 25% of the total book value of property additions during the period.
3. We reviewed the supporting documentation obtained for the sampled property additions to determine that the addition met the definition of a capital investment per the Incentive Agreement, and verified determination of depreciable life. Our sample selected resulted in the 90% accuracy threshold being met.



4. We footed the listings by asset class/depreciable life without exception.
5. We agreed the listings obtained from each participant to the Required Property Audit Data form, by asset class/depreciable life grouping and in total without exception.

We noted that in prior reporting periods, the Company exceeded the goal of \$3,500,000,000 in capital investment spend per the SB1 Incentive Compliance agreement and earned the maximum qualified capital investment tax credit of \$120,000,000. The underreporting of property additions discussed in procedure 1 above in the current and prior periods did not impact the Company exceeding the goal of \$3,500,000,000 in capital investment spend or their earning of the maximum qualified capital investment tax credit of \$120,000,000.

We were engaged by the Company to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the State of Nevada SB1 Incentive Compliance agreement during the period of July 1, 2020 through June 30, 2021. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors and Management of Tesla, Inc. and the State of Nevada and is not intended to be, and should not be, used by anyone other than these Specified Parties.

*Eide Bailly LLP*

Reno, Nevada  
September 30, 2021

## Exhibit A

### Combined Summary and Transferable Tax Credit

<b>Qualified Project Name:</b>	<b>Gigafactory Project</b>
<b>Lead Participant:</b>	<b>Tesla, Inc. (FKA: Tesla Motors, Inc.)</b>
<b>Reporting Period:</b>	<b>July 1, 2020 - June 30, 2021</b>
<b>Project to Date Period:</b>	<b>October 17, 2014 - June 30, 2021</b>

	Reporting Period *	Project to Date Period
<b>Number of New Qualified Employees (NQE)</b>	769	8,574
<b>Number of NQEs who are Nevada Residents</b>	888	7,534
<b>Residency as a Percent</b>		88%
<b>Average Wage of Qualified Employees</b>		\$ 39.44
<b>Nevada residency requirements verified:</b>		Yes
<b>Qualified Employees requirements verified:</b>		Yes
<b>Total Capital Investment</b>	\$ 869,677,204	\$ 6,024,226,338
<b>Number of Qualified Employees (NQE)</b>	-	6,000
<b>Dollar Credit per NQE</b>	\$ 12,500	\$ 12,500
<b>Qualified Employee Tax Credit</b>	\$ -	\$ 75,000,000
<b>Capital Investment at 5%</b>	\$ -	\$ 1,000,000,000
<b>Percent Credit (5% up to \$1 Billion)</b>	5%	5%
<b>Capital Investment Tax Credit at 5%</b>	\$ -	\$ 50,000,000
<b>Capital Investment at 2.8%</b>	\$ -	\$ 2,500,000,000
<b>Percent Credit (2.8% up to \$2.5 Billion)</b>	2.8%	2.8%
<b>Capital Investment Tax Credit at 2.8%</b>	\$ -	\$ 70,000,000
<b>Total Transferable Tax Credit</b>	\$ -	\$ 195,000,000

\* The total number of new qualified employees hired by all participants during the reporting period was 2,463. The numbers above reflect the number of qualified employees added during the reporting period less the number of previously qualified employees that left during the reporting period.

## Exhibit B

### Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project  
Participant: Tesla, Inc. (FKA: Tesla Motors, Inc.)  
Reporting Period: July 1, 2020 - June 30, 2021  
Project to Date Period: October 17, 2014 - June 30, 2021

<u>Workforce Composition</u>	Reporting Period *	Project to Date Period
Number of New Qualified Employees (NQE)	241	5,644
Number of NQEs who are Nevada Residents	367	4,669
Residency as a Percent		83%
Average Wage of Qualified Employees		\$ 44.72

\* The total number of new qualified employees hired by Tesla, Inc. during the reporting period was 1,513. The numbers above reflect the number of qualified employees added during the reporting period less the number of previously qualified employees that left during the reporting period.

## Exhibit C

### Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project  
Participant: Panasonic Energy Corporation of North America  
Reporting Period: July 1, 2020 - June 30, 2021  
Project to Date Period: October 17, 2014 - June 30, 2021

<u>Workforce Composition</u>	Reporting Period *	Project to Date Period
Number of New Qualified Employees (NQE)	489	2,690
Number of NQEs who are Nevada Residents	486	2,663
Residency as a Percent		99%
Average Wage of Qualified Employees		\$ 29.28

\* The total number of new qualified employees hired by Panasonic Energy Corporation of North America during the reporting period was 911. The numbers above reflect the number of qualified employees added during the reporting period less the number of previously qualified employees that left during the reporting period.

## Exhibit D

### Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project  
Participant: H&T Nevada, LLC  
Reporting Period: July 1, 2020 - June 30, 2021  
Project to Date Period: October 17, 2014 - June 30, 2021

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	39	240
Number of NQEs who are Nevada Residents	35	202
Residency as a Percent		84%
Average Wage of Qualified Employees		\$ 32.37