

SECTION BY SECTION SUMMARY OF TASK FORCE TAX PROPOSAL AB 281

(Please note: AB 281 was introduced on March 11, 2003. The following summary is done by subject matter not numerical sequence. You can access the full text of the bills by logging onto: www.leg.state.nv.us and clicking onto 2003, and going to "Bill Information".)

IMPOSITION OF GROSS RECEIPTS TAX *(The date for imposition of the tax is July 1, 2005.)*

- Sections 1-10 Definitions for: "Business", "Business Entity", "Commission", "Engaging in Business", "Gross Amount Received or Receivable", "Gross Receipts" (including exemptions), "Pass Through Revenue" and "Production".
- Section 11 Says the tax ". . . may not be construed as a tax upon the customer. . .".
- Section 12 Gives authority to the Department of Taxation for the Administration of the tax and requires revenue to be credited to the State's general fund.
- Sections 13-15 Procedures for record keeping, confidentiality of information and allowed exceptions to confidentiality.
- Section 16 Defines a "natural person" for purposes of being subjected to the tax.
- Section 17 Imposition of "excise tax" rate of 0.25% on gross receipts in excess of \$87,500 quarterly; and requires the value of product to be greater than \$87,500 quarterly.
- Section 18 Provides a credit of \$25: (1) for each full-time equivalent employee against the gross receipts tax; and (2) if the business consists of the production of tangible personal property in this state and pays a gross receipts tax for the sale of property in another state. Also provides that a if the credit exceeds the tax liability for the quarter, the credit may be applied in the subsequent quarters so long as the quarters are in the same fiscal year. (This is different than the Governor's bill.)
- Section 19 Enumerates the deductions for calculating the tax liability. (Please note these are different than the Governor's Tax bill.)
- Section 20 Requires the Department of Taxation to adopt regulations for the allocation or apportionment of the tax liability for business entities engaging in a business both within and outside of this state. Requires that the formula for "Apportionment and Allocation of Net Income of Financial Institutions" be the provisions of the "Recommended Formula for the Apportionment and Allocation of Net Income of Financial Institutions adopted by the Multi-state Tax Commission as they exist on 7/1/2003.
- Section 21 Provides for application to Department of Taxation by business entities engaging in business both within and outside the state for any tax liability reduction required by federal law, U.S. Constitution, or the Nevada Constitution as a result of tax liability to other states.
- Section 22 Authorizes Department of Taxation to disallow exclusions by more than one business entity if one or more of its affiliate businesses claims the exclusion for a reduction in tax liability.
- Section 23 Provides a "good cause" extension of 30 days.
- Section 24 Provides that the remedies of the State are cumulative.
- Sections 25-27 Refund procedures when overpayment is made.
- Section 28 Legal conditions to prevent actions to prevent or enjoin collection of tax; and requirement for claim to be filed prior to court filing.

Sections 29-30 Departmental and legal procedures (including time frames) for claimant to file actions for recovery.

Sections 31-32 Conditions for judgements, including interest.

Section 33 Recovery by Department through legal actions.

Section 34 Establishes \$25 as the de minimus amount for cancellation of amount illegally determined to have been collected.

Section 35 Penalty for falsifying records or attempting to evade or defraud State.
ADMISSIONS TAX (*This applies only to spectator events not participatory amusements. The effective date is October 1, 2003*)

Sections 36-41 Definitions for “Admission charge”, “Commission”, “Group entertainment”, “Taxpayer”.

Section 42 Gives authority to the Department of Taxation for the Administration of the tax and requires revenue to be credited to the State’s general fund

Sections 43-45 Provisions for record keeping, audits and confidentiality.

Section 46 Imposition of an “excise” tax of 6.50% of the admission charge to any place or location in this State where group entertainment is provided. Also provides list of exempt activities. The rate in the Governor’s bill is 7.25 %. The exemptions also vary from the Governor’s Bill.

Section 47 Imposition of an “excise” tax of 6.50% of the rental price for videotapes, videodiscs and video games.
Also lists exemptions from tax.

Sections 48-49 Procedures for collection and remission of the tax.

Section 50 Provides a collection allowance of 1.25%.

Section 51 30 day extension to remit tax for “good cause”.

Section 52 Provides that the remedies of the State are cumulative.

Sections 53-54 Refund procedures when overpayment is made.

Section 55 Interest at 0.5% per month must be paid on overpayments.

Sections 56-61 Legal conditions to prevent actions to prevent or enjoin collection of tax; requirement for claim to be filed prior to court filing; erroneous judgments; and interest

Section 62 Establishes \$25 as the de minimus amount for cancellation of amount illegally determined to have been collected.

Section 63 Penalty for falsifying records and attempting to evade or defraud State.

Sections 64-74 Conforming language to include appropriate sections of this bill in NRS 360 which are the administrative provisions of the Department of Taxation.

Section 75 Amends NRS 361 to include admissions tax in definition of “net revenue” for the fine art exemption.

BUSINESS LICENSE TAX (Effective July 1, 2003 with the exception of Section 80 which becomes effective July 1, 2005.)

Sections 78-79 Conforming language.

Section 80 Effective July 1, 2005, removes the requirement for renewals of business licenses.

Section 81 Increases the Business Tax from \$25 per full-time employee (FTE), per quarter to \$35 per FTE, per quarter. This amounts to \$140 per FTE, per year. The Governor’s bill proposed \$300, per FTE, per year until June 30, 2005, when his gross receipts proposal is scheduled

Section 82 Repeals business tax exemption for sole proprietors and first person of an unincorporated business.

Section 193 Provides that Business Licenses issued or renewed on or after July 1, 2003, and before July 1, 2004, expire on the last day of the calendar month in which the anniversary date of its issuance first occurs.

EXCISE TAXES

Sections 83-84 Increases the tax rates of Alcoholic Beverages by 89%.

Sections 85-87 Increases the Cigarette tax from 35 cents per pack to 70 cents per pack.

SECRETARY OF STATE FEES (This increase also applies to those fees that were increased in the 2001 Session.)

Sections 91-155, 159-165, 174-181, 185-186 Increases all Secretary of State fees 50%.

GAMING TAXES

Section 171 Increases gross gaming tax by 1/4 % on all three tiers, making the top tier 6.50%. (Effective July 1, 2004)

Section 172 Increases the Restricted Slot tax . (Effective July 1, 2003)

Section 173 Increases gross rate of interactive gaming to 6.5%. (Effective July 1, 2004)

INSURANCE PREMIUM PROVISIONS (These sections are effective July 1, 2004)

Section 182 Clarifies that insurance companies are subject to gross receipts tax excluding revenue from the premium tax.

Section 183 Clarifies that captive insurers are subject to gross receipts tax excluding net direct premiums.

Section 184 Clarifies that Fraternal Benefit Societies are subject to gross receipts tax.

PROPERTY TAX

Sections 76-77 Creates a new property tax cap of \$3.14 per \$100 of assessed valuation, by removing the school operating rate and state debt rate, from the current combined state and local government cap of \$3.64 per \$100 of assessed valuation. Under this provision the cap of \$3.14 would be a combined local government property tax rate, allowing the State to impose additional property tax rates above the \$3.14 cap. (Effective July 1, 2003)

Sections 168-170 Creates a secondary cap over the local government cap of \$3.14 to provide for the school district operating levy and amounts imposed by the Legislature for state bonded indebtedness and the state operating rate identified in Section 190; and adds conforming language to other statutory cites.

Section 190 Imposes a property tax of 13 cents per \$100 of assessed valuation for State operating effective July 1, 2003 and ending June 30, 2004. Imposes a property tax of 5 cents per \$100 of assessed valuation for State operating effective July 1, 2003. This is different than the Governor's bill. The property tax rate imposed in that bill is 15 cents, effective July 1, 2004.

Section 192 Provides that any property tax levied by a governing body that does not expire or is not discontinued before July 1, 2003 must be included in the cap until the levy expires.

MISCELLANEOUS PROVISIONS

Sections 88,90,187 Changes the collection allowance: 1.25% is still allowed if the tax is received by the Department within 7 days after the reporting period and 3/4% if the tax is received on or before the last day of the month immediately following the reporting period.

Section 89 Conforming language for the fine arts exemption.

- Section 156 Requires the standing committee to Study Local Government Taxes and Finance review all tax exemptions and make recommendations for repeal.
- Section 157-158 Establishes a new Office of Federal Grants Acquisition in the Office of the Governor.
- Section 166 Requires public body to include provision in bid that contractor will be registered for all applicable licenses and pay the sales and use taxes on equipment, materials and supplies used in the contact.
- Section 167 Requires the Department of Administration to adopt regulations for electronic submission of returns and payments by credit or debit cards and electronic funds transfers.
- Section 188 Repeals 364A.160
- Section 189 Appropriation to the Department of Taxation of \$25 million over the biennium.
- Section 191 Creates a Task Force on Tax Policy in Nevada to further study taxes in Nevada and provide a report by November 15, 2004.
- Section 194-195 Effective dates for the various provisions.