

TAXTOPICS

A Publication of the Nevada Taxpayers Association serving the citizens of Nevada since 1922

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AND THE SESSIONS FINALLY ENDED

It was a marathon of sessions and possibly the most grueling. No one could have predicted or been prepared for a regular session that then morphed into two special sessions.

Sentiments expressed after the general election of 2002 were that a very bright group of freshman had been elected, and collectively this would be an outstanding legislative body. So what happened between the election and the start of the session that changed such a positive outlook?

The events surrounding California's legislative debacle have been referred to as the Perfect Storm. It would appear that Nevada also was subject to a Perfect Storm. It was a confluence of events that apparently started with remarks made by Governor Guin. in December and during his State of the State. The Governor's remarks, rightly or wrongly, were taken to be a negative reflection upon members of the Legislature. That seems to have been the catalyst for the change in attitude that moved Legislative members from being policy driven to being politically driven. A further change, from political to personality and ego driven, occurred with the events of the two Special Sessions and the lawsuit filed by the Governor against the Legislature. Additionally, disparate issues such as the gross receipts tax component in the original tax packages (the Governor's and Task Force), the finger pointing between industry groups as to whom should be taxed and at what level and the marrying of K-12 education funding to the tax package further added to the discord.

It should have and could have been the session that would make necessary changes to the existing tax structure. Instead, with the exception of the passive revenue generators, it was a session that gave us two new taxes and a flawed budget. The two new taxes, the general business payroll tax and the financial institutions' payroll tax, will take all the creative ingenuity (within the confines of law) of the Tax Commission to develop regulations making the provisions workable. The budget - including all \$836 million in new revenue was built in part on some one-shot revenues that were expended for ongoing operational costs. It is from this perspective, the combination of taxes that will require corrective legislation and the potential budget shortfall next biennium, portends the issue of taxes will dominate the 2005 legislative session.

LEGISLATIVE ENACTMENTS - TAXES: PART 1

Starting on page 2 this *TAX TOPICS* will deal with the Tax Package - Senate Bill 8, Assembly Bill 4 and of the 20th (2nd) Special Session and other taxes enacted during the 2003 Legislative Sessions. Subsequent issues of *TAX TOPICS* will report on: fee bills which were enacted; other legislation of interest to our members; and the State's budget.

LEGISLATIVE ENACTMENTS - PART 1: TAXES

The following tax summaries are a compilation of the tax bills which were passed during the 72nd Regular Legislative Session and the 20th Special Session. Unless otherwise noted the bills were passed during the regular session. The passage of the infamous "Tax Package" occurred during the Special Session and was comprised of three bills - SB 2, SB 8 and AB 4. Only SB 8 and AB 4 are summarized here. Senate bill 2 which increased the Secretary of State Fees will be summarized in the next issue of *TAX TOPICS* in addition to all other fee and assessment bills.

BILLS WITH A COMBINATION OF TAXES											
BILL #	DESCRIPTION										
SB 8 of the 20th SPECIAL SESSION	<p>PLEASE NOTE: This is the major tax bill of the 20th Special Session. Only the tax components of this bill are summarized below. Other provisions contained within the bill will be addressed in a future <i>TAX TOPICS</i>.</p> <p>CIGARETTE TAX - Increase of 5¢ per pack. New Rate: 80¢ per pack. Effective: 7/22/03</p>										
	<p>ALCOHOLIC BEVERAGE TAXES - Increase of 75%. New rate structure below. <i>Note: Rates are per wine gallon.</i></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>BEVERAGE</u></th> <th style="text-align: left;"><u>NEW RATE</u></th> </tr> </thead> <tbody> <tr> <td>Malt Beverages (Beer)</td> <td style="text-align: right;">15¢</td> </tr> <tr> <td>Liquor ½% to 14% alcohol</td> <td style="text-align: right;">70¢</td> </tr> <tr> <td>Over 14% to 22% alcohol</td> <td style="text-align: right;">\$1.30</td> </tr> <tr> <td>Over 22%</td> <td style="text-align: right;">\$3.60</td> </tr> </tbody> </table> <p>Effective: 8/1/03</p>	<u>BEVERAGE</u>	<u>NEW RATE</u>	Malt Beverages (Beer)	15¢	Liquor ½% to 14% alcohol	70¢	Over 14% to 22% alcohol	\$1.30	Over 22%	\$3.60
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<p>BUSINESS GROSS PAYROLL TAX (new) - Tax is imposed on any business that files with Nevada Employment Security Department and is payable quarterly. A dollar-for-dollar deduction is allowed for medical insurance provided to employees.</p> <p style="padding-left: 40px;"><u>ALL BUSINESSES EXCEPT FINANCIAL INSTITUTIONS</u> - 0.7% on gross payroll. Reduced to 0.65% effective 7/1/04.</p> <p style="padding-left: 40px;"><u>FINANCIAL INSTITUTIONS</u> - 2% with a dollar for dollar credit for any medical insurance provided to employees, effective 10/1/03. The definition of "financial institution" is very broad, but does not include credit unions.</p> <p><i>Note: The Business License Tax (BLT - a.k.a. "Head Tax") is eliminated upon imposition of the Gross Payroll Taxes.</i> Effective: 10/1/03.</p>											
<p>BANK EXCISE TAX (new) - \$ 1,750 per quarter (\$7,000 annual) for each branch in this State more than one. Effective: 1/1/04</p>											
<p>BUSINESS LICENSE FEE - Increased from \$25 to \$100 and is changed from a one-time fee to an annual fee. <i>Note: Multi-level marketers are excluded, but sole proprietors are now included.</i> Effective: 7/22/03</p>											

BILLS WITH A COMBINATION OF TAXES CONTINUED

<p>SB 8 of the 20th SPECIAL SESSION CONTINUED</p>	<p>LIVE ENTERTAINMENT TAX (new) - The tax as it applies to non-gaming businesses is administered by the Department of Taxation and for Gaming Establishments is administered by the Gaming Control Board.</p> <p>NON-GAMING BUSINESSES - 10% if seating is more than 300 and less than 7,500 rate also imposed upon food and beverages, 5% if seating is 7,500 or more, rate is not imposed on food and beverages.</p> <p>GAMING ESTABLISHMENTS - 10% if seating is less than 7,500 unless the establishment has a seating capacity of less than 300 and has less than 51 slot machines and less than 6 table games or any combination within those limits.</p> <p>Effective: The exemptions for the current Casino Entertainment tax are eliminated on 9/1/03. With the full implementation of the Live Entertainment Tax on 1/1/04, the Casino Entertainment Tax is repealed in its entirety on the same date.</p>								
	<p>REAL PROPERTY TRANSFER TAX - Increase of \$1.30 per \$500 of value for State Operating. Effective: 10/1/03</p> <p><i>Notes: (1) Current rate is \$1.25 in Clark County and 65¢ in the remaining counties. (2) See SB 370 for additional increase.</i></p>								
	<p>GROSS GAMING TAX - Increases each tier by ½ %.</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>NEW RATE</u></th> </tr> </thead> <tbody> <tr> <td>First \$50,000 per month</td> <td style="text-align: center;">3½ %</td> </tr> <tr> <td>Next \$50,000 to \$134,000 per month</td> <td style="text-align: center;">4½ %</td> </tr> <tr> <td>Over \$134,000 per month</td> <td style="text-align: center;">6¾ %</td> </tr> </tbody> </table> <p>Effective: 8/1/03</p>		<u>NEW RATE</u>	First \$50,000 per month	3½ %	Next \$50,000 to \$134,000 per month	4½ %	Over \$134,000 per month	6¾ %
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	<p>RESTRICTED SLOT TAX - Increases rates by 33%.</p> <p>\$81 for each of first five machines.</p> <p>\$405 plus \$141 for each machine in excess of 5 up to 15 machines</p> <p>Effective: 7/22/03</p>								
<p>AB 4 of the 20th SPECIAL SESSION</p>	<p>REDUCTION IN COLLECTION ALLOWANCES for sales and use, cigarette and tobacco and liquor taxes - and INCREASES IN SECURITY BROKERS FEES - Reduces the collection allowances to 0.5% for sales and use tax, alcoholic beverage tax and cigarettes and other tobacco products (stamp fee). Doubles securities license fees; and creates new annual fees for securities branch offices, plus new fees for application amendments and exemptions. Also increases the sales tax permit fee and authorizes the electronic submission of tax returns and payments.</p> <p>Effective: Dates vary. 8/01/03 for reduction of collection allowances.</p>								
<p>AB 3</p>	<p>UTILITY TAXES AND FEES - Requires alternative sellers of electric and natural gas utilities to collect all taxes and fees required of regulated utilities.</p> <p>Effective: 7/1/2003</p>								
<p>B 361</p>	<p>ACQUISITION OF PRIVATE UTILITY BY GOVERNMENT - Requires a local government which acquires a public utility (includes telecommunications) or expands its public utility facilities to make payments or provide compensation in lieu of taxes and franchise fees to other local governments that would lose tax revenue as result of the acquisition or expansion.</p> <p>Effective: 7/1/03</p>								

BILLS WITH A COMBINATION OF TAXES CONTINUED

SB 237	<p>REGIONAL TRANSPORTATION COMMISSIONS FUNDING - Authorizes additional taxes and fees as approved voters in the Washoe and Clark County ballot questions for RTC funding.</p> <p><u>CLARK COUNTY</u>: Sales tax 1/4% (1/8 % sunsets when \$1.7 billion is collected or in 2028, whichever comes earlier; jet fuel \$0.01/gallon; developer fee increase phased-in through 2020 when the total increase will be \$1,000 per residential dwelling unit and 50¢ per square foot for commercial property.</p> <p><u>WASHOE COUNTY</u>: Sales tax 1/8%; developer fees indexed for inflation (capped); gas tax indexed for inflation (capped). The cap is not to exceed 4.5% of the CPI for the previous 5 years or the average prior year CPI, whichever is less.</p> <p>Effective: 5/22/2003</p>
SB 473	<p>TAX ABATEMENTS FOR NEW OR EXPANDED BUSINESSES - Applies to property, sales and use, business taxes. Lowers the minimum requirement for number of employees and amount of capital invested to qualify for the tax abatements. Expands the definition of renewal energy and extends the date of expiration for the provisions that deal with renewable energy and renewable energy facilities from 2005 to 2009.</p> <p>Effective 7/1/2003.</p>

PROPERTY TAX

BILL #	DESCRIPTION
AB 355	<p>COMMERCIAL HELICOPTER PERSONAL PROPERTY TAX EXEMPTION - Clark County Only. Personal property tax exemption for helicopters that use designated airports.</p> <p>Effective: 7/1/2003</p>
AB 515	<p>SENIOR CITIZEN PROPERTY TAX REBATES - Increases income and property value limits for determination of eligibility. Also creates an account for the rebate of the government services tax.</p> <p>Effective: 7/1/2003</p>
AB 533	<p>PROPERTY TAX EXEMPTIONS AND BUSINESS PERSONAL PROPERTY TAX - Beginning in FY 2005-2006, increases the veterans', surviving spouse, and blind persons' exemption amounts annually by the amount of the increase in the CPI; expands eligibility for the veterans' exemption; and reduces the time required for a business to be eligible to pay personal property taxes in four equal installments, from 3 years to 2 years if they have paid the previous taxes on time without penalty.</p> <p>Effective: 7/1/2003.</p>
SB 370	<p>REAL PROPERTY TRANSFER TAX (RPTT) INCREASE Authorizes County Commissioners (except in Clark County) to impose an additional 5 cents per \$500 of property value for control of weeds and pests.</p> <p>Effective: 7/1/2003.</p>
SB 440	<p>PROPERTY TAX POSTPONEMENT - Allows for the postponement of payment of property taxes on a single family dwelling for extreme economic hardship. Tax must be repaid with 6% interest.</p> <p>Effective: 7/1/2003</p>
SB 475	<p>CENTRALLY ASSESSED UTILITIES - The amount of property tax due based on the taxable value of new power plants built after 7/1/2003 must be given to the county of location for counties under 100,00 population.</p> <p>Effective: 7/1/2003</p>
SB 507	<p>TAX INCREASE FOR STATE DEBT - Increases property tax rate for State debt one cent to 16 cents per \$100 of assessed value. Puts the additional 1¢ outside of the statutory cap of \$3.64 per \$100 of assessed value.</p> <p>Effective: 6/12/2003</p>

SALES and USE TAX	
BILL #	DESCRIPTION
AB 208	COUNTY SWIMMING POOL O&M - With voter approval, counties of population less than 15,000 may add 1/4% to sales and use tax for operation and maintenance of public swimming pool. This is the enabling legislation for a voter approved tax override in White Pine County. Effective: 7/1/2003
AB 514	STREAMLINED SALES TAX - Provides for the enactment of certain provisions necessary to carry out the Streamlined Sales and Use Tax Agreement (SSTA). Provides for the electronic registration of sellers and establishes the requirements for determining the place of sales and claiming exemptions. Provides for the submission to the voters at the November 2, 2004 general election of various exemptions. Effective: Dates vary.
AB 490	EXPANDS USE FOR FLOOD CONTROL - Washoe County Only - Expands the use of sales tax for flood control projects to include ongoing operations and maintenance for projects included in plan adopted prior to January 1, 2003. Effective: 7/1/03
SB 313	EXEMPTION CLARIFICATION - Provides that the sales and use tax does not apply to the sale or lease of a motor vehicle to a governmental entity./ Effective: 7/1/03
SB 353	EXEMPTION CLARIFICATION - Provides that a hospital or medical facility licensed pursuant to NRS 449 or 450 is a charity for purpose of paying or collecting the sales and use tax. Effective: 7/1/03
SB 464	SALES AND USE TAX ON BOATS - Allows for the exemption from sales tax on vessels sold to out-of-state buyers; excludes the value of a trade-in from the sales price for sales tax purposes; and exempts vessels documented by federal law from obtaining a Nevada title. Effective: 7/1/2004

RENTAL CAR FEES (TAXES)	
BILL #	DESCRIPTION
SB 497	INCREASE - Allows Washoe County Commissioners to impose, by ordinance, an additional 2% car rental fee to finance a minor league baseball stadium; increases statewide the recovery surcharge (fee) that rental car companies may charge from 3.5% to 4.0%. Effective: 6/10/2003.
AB 16 OF THE 20TH SPECIAL SESSION	INCREASE - Allows Clark County Commissioners to impose, by ordinance, an additional 2% car rental fee to finance a performing arts center and facility for vocational training in culinary skills; increases statewide the recovery surcharge that rental car companies may charge from 3.5% to 4.0%. Effective: 7/1/2003
AB 267	CLARIFICATION - Changes the imposition of the tax to specify the rental charges that are not to be included in the computation of the rental charges for purposes of calculating the tax due. Effective: 7/1/03

MISCELLANEOUS TAXES	
BILL #	DESCRIPTION
AB 205	ROOM TAX INCREASE - Allows the Sparks City Council to impose an additional tax of 2½ % on room rates for special tourism projects. Effective: 5/26/03
SB 470	IMPOSITION OF JET FUEL AND AVIATION FUEL TAXES - In a county of less than 100,000 population which has an airport which is owned or operated by a city, allows the governing body of the city (Elko) to impose an additional 4 cents per gallon tax on jet fuel and 8 cents per gallon tax on aviation fuel. Effective: 7/1/2003

LEGISLATIVE BOX SCORES

The following chart shows a decline in 2003 over 2001 in the number of bills requested for drafting - 217, introduced during session - 198 and signed into law - 89.

COMPARISON BETWEEN THE 2001 & 2003 REGULAR SESSIONS				
SESSION	DATES	BILL DRAFTS REQUESTED	BILLS INTRODUCED	BILLS SIGNED INTO LAW
72 nd	2/3/03 - 6/3/03	1360	1064	516
71 st	2/5/01 - 6/5/01	1577	1262	604

Ironically, the last two regular sessions have been followed by two special sessions. Prior to these there had not been a special session called since 1989.

COMPARISONS BETWEEN THE 2003 & 2001 SPECIAL SESSIONS				
SESSION	DATES	REASON SESSION WAS CALLED	BILLS INTRODUCED	BILLS SIGNED INTO LAW
20 th	6/3/03 - 6/12/03	To close K-12 education budget and enact taxes.	10	7
19 th	6/25/03 - 7/22/03	To close K-12 education budget and enact taxes.	8	1
18 th	6/29/01 - 8/1/01	To address medical malpractice reforms.	4	3
17 th	6/14/01 - 6/15/01	To re-pass bills that were passed at session due to concern about the time the 71 st session ended.	26	23

Please note: In neither of the above charts are Resolutions included in the Bill counts.