

TAX TOPICS

A publication of the Nevada Taxpayers Association, serving the citizens of Nevada since 1922.

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Legislative Enactments Part I: Taxes

The following pages contain the tax bills that were passed by the legislature and signed by the Governor. Unless otherwise noted the effective date for the bills reported is July 1, 2015.

Multiple Tax Provisions

SB 483 - Sunset Taxes & Governor's Alternate Tax Proposal to Fund the State's General Fund Budget

As introduced this legislation removed the following sunsets:

The 0.35% increase in the local school support portion of the sales and use tax is made permanent.

The \$200 State business license fee is made permanent.

The expiration of the advance payment of the net proceeds of minerals tax is deferred to 2017.

Keeps the 10% increase in the Governmental Services Tax in the General Fund for FY 2015, but then splits the increase 50-50 between the General Fund and Highway Trust Fund in FY 2016 and in 2017 all revenue from the increase will be deposited to the Highway Trust Fund.

Additionally, a rate increase of 40 cents per package of 20 cigarettes was included in the bill. That rate was increased to \$1.00 for a total tax rate of \$1.80 per package. Note: The cigarette tax, was never part of taxes scheduled to sunset.

On May 31, SB 483 was amended to include tax increases in:

The annual **State Business License** for domestic and foreign corporations is increased to \$500. The rate remains at \$200 for all other businesses. The initial and annual filing fees for business entities that are required to file with the Secretary of State's office are increased \$25. This increase became necessary to maintain the revenue projections when the State Business License for all other businesses was reduced from a proposed \$300 increase, back to \$200.

The rate of the State **Modified Business Tax** (MBT) is increased to 1.475%, from 1.17% on wages paid over \$50,000 per quarter (currently \$85,000 per quarter). Persons who pay the net proceeds of minerals tax are added to the MBT Financial Institutions and will now pay a tax rate of 2 percent. Note: The \$50,000 per quarter does not equate to \$200,000 per year as any amount not used in a quarter cannot be carried-over.

Imposes the "**Commerce Tax**," a new tax, which is based on "Nevada Gross Revenue". A business entity must indicate the NAICS code that represents the primary revenue source of the business by selecting one of the 26 NAICS codes or the one catch-all code. The rate assigned to that code is then applied, after first subtracting \$4 million from "Nevada gross revenue" (as defined in the bill) to determine the tax liability. The first \$4 million is subtracted from Nevada Gross Revenue. The first payment of the tax will be due 45 days after June 30, 2016. Employers will be able to take a credit of 50 percent of the amount paid in the commerce tax against the MBT. The credit may only be used for any of the 4 calendar quarters following the end of the year the commerce tax was paid. An employer may not carry-over or request a refund for any unused part of the credit.

Effective: June 9, 2015 for performing preparatory administrative tasks, July 1, 2015 for all other purposes.

NTA: Proponents called this bill simple, it is anything but! Follow the regulatory hearings to understand all the clarifications that will be required. See attachment with this issue of *Tax Topics* for the section-by-section summary of the bill.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB483_EN.pdf

Multiple Tax Provisions Continued**SB 411- School District Bonding**

Provides that a school district may form a Public Schools Overcrowding and Repair Needs Committee to recommend an increase in one or a combination of sales tax, property tax, governmental services tax, real property transfer tax or room tax for the purpose of funding bonds for school construction in the district. If the Committee makes its recommendation by April 2, 2016, the County Commission must put the recommendation on the November 2016 General Election ballot. Note: If property tax is recommended and approved by the voters, the rate would be outside the 3% - 8% partial abatement cap and the \$3.64 per \$100 of assessed value combined rate cap.

Effective: June 8, 2015. Section 1 of the bill which creates the Committee and establishes the responsibility of the Committee expires by limitation on April 2, 2016.

NTA: This bill as originally proposed was to apply only in the Washoe County School District; it was amended to include all school districts except the Clark County School District..

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB411_EN.pdf

Business Taxes**Modified Business Tax****SB 103 - MBT Financial Institutions: Insurance Reclassified.**

Reclassifies to the MBT General Business from the MBT Financial Institutions any person who is primarily engaged in the sale, solicitation or negotiation of insurance.

Effective: June 8, 2015

NTA: The rate for general business and financial institutions (to include mining after July 1, 2015) should be the same. The rate of the MBT for financial institutions is 2 percent. The rate for general business as of July 1, 2015 will be 1.475 percent for over \$50,000 in wages paid in a quarter.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB103_EN.pdf

Transportation Network Tax**AB 175 - Imposition of the tax**

A 3% excise tax is imposed on a transportation network company (e.g. Uber, LYFT), taxi cab company, limousine service or charter bus service. The tax is applied to the total fare, including all fees, surcharges, technology fees and convenience charges for the use of a credit or debit card and any other amount that is part of the fare. The first \$5 million of revenue in each biennium is to be deposited to the State Highway Trust Fund and the remainder to the State General Fund. This is an extensive bill that includes, but is not limited to the establishment the licensing procedures for transportation network companies under the auspices of the Public Utilities Commission, to mandating the use of seat belts in taxicabs to prohibiting local governments from imposing any tax or fee on a transportation network company.

Effective: May 2, 2015 for regulations and performing administrative duties and October 1, 2015 for imposition of the tax, and on the 90th day after October 1, 2015 for passengers to wear seat belts.

NTA: This bill as introduced on February 18 was a simple three-page bill requiring, in most cases, for passengers in taxicabs to wear seat belts. On May 8 the Senate amended the bill to include the regulation of transportation network companies and impose the excise tax. It took the two bills reported on the next page to simplify the tax administration and compliance for the transportation network companies by putting the collection of the tax under the Department of Taxation.)

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB175_EN.pdf

Business Taxes Continued**Transportation Network Tax continued****AB 176 - Revises Collection of the Tax**

This is another bill that provides the conditions under which a transportation network company can operate in Nevada from insurance to be carried to requirements for hiring drivers. As amended, the bill amends AB 175 to have the Nevada Transportation Authority collect the excise tax, except for the collection of the tax from taxicabs in Clark County which would be the responsibility of the Taxicab Authority.

Effective: May 29, 2015 and May 2, 2015 for the revisions to AB 175 (page 2).

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB176_EN.pdf

SB 376 - Revises Collection of the Tax

Adds a new chapter to Title 32 (Taxes) of NRS which establishes the Department of Taxation as the collector of the transportation network tax.

Effective: June 9, 2015 for most provisions and August 28, 2015 for the Department of Taxation to take responsibility for the collection of the tax.

NTA: As originally introduced this legislation revised the appeal provisions of certain decisions by the Nevada Transportation Authority and appeals of final decisions by the Taxicab Authority. It was amended to avoid having regulatory agencies become tax collectors.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB376_EN.pdf

Property Tax**Appeals Process****AB 452 - Appeal Process: Clarification**

Defines the term “owner” to include a person who owns, controls or possesses in its entirety taxable property. Requires a person who is not an “owner,” but has filed an appeal on behalf of an owner to provide written authorization from the owner. Provides procedures to follow if there is an objection to a written authorization.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB452_EN.pdf

SB 78 - Mining Properties: Appeals

In a claim for overvaluation or excessive valuation of property that is appraised or assessed by the Department of Taxation, an appeal is filed directly with the State Board of Equalization instead of first being filed with a County Board of Equalization. The appeal must be filed by January 15.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB78_EN.pdf

SB 377 - Appeal Process: Clarification

Clarifies the rules for assessment appeals to the Board of Equalization to state that an appeal is considered filed by mail on the date of the postmark on the envelope. If the postmark is missing or illegible, the appeal is considered filed on the date received by the board. no postmark other than that of the postal service is acceptable as the date of filing. For common interest communities, if the association does not provide adequate information to proportionately assess common elements to the individual units, the tax is payable by the association or person who is the owner of the common elements.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB377_EN.pdf

Property Tax Continued

Tax Rates and Valuation

AB 491 - Section 30 - Levy for State Capital Debt

Continues the levy of 17 cents per \$100 of assessed valuation for State bond redemption for FY 2016 and FY 2017. The levy of 15.45 cents is for State capital projects and the levy of 1.55 cents, which was voter approved in 2002 to issue \$200 million in bonds for various natural resource projects, including, but not limited to preserving water quality to restoring and improving parks.

Effective: June 12, 2015

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB491_EN.pdf

SB 119 & SB 207 - School Bond Rollover - Without Voter Approval

The “rollover” is identical in both bills. The provision is contained in Section 2 of SB 119 and section 1 of SB 207. The bill allow school districts, whose voters have previously approved a bond “rollover”, if certain conditions are met, to issue general obligation bonds for an additional 10 years, even if the original rollover has expired. It allows the districts, during the roll-over period to use excess debt service revenue for “pay-as-you-go” funding.

SB 119 also provided that prevailing wage does not apply to the any contract for a project for building, repair, alteration, etc. of a school district, a charter school or the Nevada System of Higher Education.

NTA: These provisions regarding the payment of prevailing wages in SB 119 were repealed by AB 172. Assembly bill 172 made a number of changes to current prevailing wage law, including raising the threshold. These changes will apply to all construction projects, not just schools and NSHE.

Effective: SB 119, March 6, 2015. SB 207, March 4, 2015

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB119_EN.pdf

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB207_EN.pdf

SB 514 - (Section 60) - Property Tax Rebate

Appropriates \$5 million from the State General Fund for FY 2015-2016 for allocation to the Aging and Disability Services Division of the Department of Health and Human Services for implementing a senior citizens’ property tax assistance rebate program. Requires the Division to establish criteria, and requires a recommendation by the Governor and submission and approval to the interim finance committee. Does not allow any money to be spent after September 2017 and any money not expended must revert to the General Fund by September 15.

NTA: Senate bill 514 is the Appropriation bill.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB514_EN.pdf

SJR 13 - Property Tax: Constitutional Change to “Cash” (Market) Value

Limits cumulative property taxes to 1.25 percent of base value, excluding taxes levied to pay bonds. The base value is the property’s taxable value from which the assessed for FY 2017-18 was calculated. Property values are reset to cash value upon the transfer of at least 50% of ownership except if the transfer was to a spouse, child or grandchild or a separate legal entity of which the transferor is the beneficial owner. Property may not increase or decrease more than 3 percent each year. Other provisions address the sale of property by a senior citizen.

Effective: If approved again by the 2017 legislature it will be on the November 2018 general election.

www.leg.state.nv.us/Session/78th2015/Bills/SJR/SJR13_EN.pdf

Sales Tax

AB 57 - Streamlined Sales Tax: Direct Mail

Establishes the conditions for collection of sales and use tax of a purchase on the sale of direct mail for the purpose of maintaining compliance with the Streamlined Sales and Use Tax Agreement to which Nevada is a signatory.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB266_EN.pdf

AB 332 - Public Works Purchasing

Prohibits any public body from entering into, with limited exceptions, an express or implied contract that avoids the payment of sales and use taxes on materials and goods. Revises the exemption for Nevada System of Higher Education from using public works.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB332_EN.pdf

AB 380 - Internet Sales Tax Collection

Creates a presumption that out-of-state retailers are to collect and remit Nevada sales taxes, including, but not limited to, those controlled groups that have a component representative in the State; and retailers who have gross receipts of \$10,000 or more in four consecutive quarters through a commission agreement or referral relationship with a Nevada resident including a website link. Specifies how a retailer can rebut the presumption that they are liable to collect the tax. Requires the Department to provide a report to LCB if they determine that a retailer is not subject to collect the tax.

This legislation is based on current New York and Colorado law, which at this point in time have withstood legal challenges.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB380_EN.pdf

Miscellaneous Taxes

AB 70 - Medical Marijuana: Tax Administration

Establishes the administrative and compliance provisions for the collection of the tax, similar to other taxes collected by the Department of Taxation. These provisions include records inspections, audits, requests for refunds, appeals, etc. The bill was amended to both clarify and add a number of provisions concerning licensing at the State and local level.

NTA: On the next to last day of the 2013 legislative session the medical marijuana bill of that session was amended in conference committee to add an excise tax of 2 percent. The unintended consequences of last minute tax bills are the lack of detail regarding administration and compliance. In this instance there were no administrative or compliance provisions in the bill.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB70_EN.pdf

AB 83 - Cigarettes: Expands the Definition of a Manufacturer

Requires a business or person who operates a cigarette rolling machine for commercial purposes to be licensed as a manufacturer by the Department of Taxation.

Effective: Effective June 9, 2015.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB83_EN.pdf

Miscellaneous Taxes

SB 266 - Live Entertainment Tax Revisions

Changes the current bifurcated rate structure of under 7500 seats, a 10 percent tax also applied to food beverage and merchandise and if there are over 7500 seats, a 5 percent tax rate which is applied to food, beverage merchandise to one tax rate, 9 percent. Expands the definition of admission charge and expands the venues and types of entertainment that will now be subject to the tax. The definition of admission charge is revised to include membership fees, specified service charges and charges required to be paid in connection with the admission charge. Provides for specific exclusions and modifies a number of the exemption from the imposition of the live entertainment tax.

Effective: June 11, 2015 to adopt regulations and perform administrative tasks, on or before October 1, to deposit \$150,000 for credit to the Nevada Arts Council (this will be done annually), and October 1, 2015 for all other purposes.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB266_EN.pdf

SB 312 - Room Tax: Washoe County

Requires the Reno City Council to impose a surcharge of \$1.00 per night on guests in hotels with gaming and \$2.00 per night in hotels without gaming for the purpose of improving and maintaining convention tourism facilities. In a tourism district created by the Washoe County Commission a surcharge of \$2.00 for the purpose of promoting tourism.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB312_EN.pdf

Motor Vehicle Fuel Taxes & Registration

AB 32 - Special Fuels: Expands Definition

Expands the definition of special fuels and special fuel dealer to include “liquified natural gas” (LNG). Imposes a tax rate of 6.4 cents on a gallon of liquified petroleum gas (LPG) and deems a gallon of (LPG) to be 36.3 cubic feet or 4.2 pounds. Requires the reporting all special fuels in gallons and deems LNG to be 6.06 pounds. Expands the definition of special fuels and special fuel dealer to include LNG.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB38_EN.pdf

AB 191 - Motor Vehicle Fuel: Tax Indexing

Provides that a county may put a question on their November 2016 general election ballot to index fuel taxes for a period of 20 years. If approved by the voters the revenue received from the indexing must be spent in the county that the revenue was collected in. In Clark County the approval of the question by the voters will allow the RTC to continuing indexing the fuel taxes, which it has been doing since 2013. To continue indexing fuels beyond 2027 the voters in a county would have to approve the continuation of indexing at the November 2026 General Election.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB191_EN.pdf

AB366 - Motor Vehicle Fuel: Use of Revenue

Provides consistency for the use of motor fuel taxes received by local governments for the construction, maintenance and repair of any “right of way,” which includes existing public roads, highways, streets or alleys. Allows the payment of administrative costs that are directly incurred in connection with the project.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB366_EN.pdf

The next issue of *Tax Topics* will contain a summary of the fees that were enacted, and the bills that were vetoed by the Governor.

Motor Vehicle Fuel Taxes & Registration Continued**SB 21- Special Fuels: Refunds**

Changes the provisions of applying for a refund for special fuels to authorize a person to request a refund instead of requiring the refund be requested. Clarifies that the reimbursement is for any tax on special fuels which are consumed outside Nevada.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB21_EN.pdf

SB 127 - Motor Vehicles Registration - Refunds and Credits

Allows a pro-rata credit or refund of the governmental services tax or registration fee, when a vehicle registration is transferred or cancelled. The transfer must be to another vehicle owned by the person and a refund will be issued only if the amount of the refund is over \$100.

Effective: May 27, 2015 for performing preparatory tasks and on the earlier of January 1, 2016 or the date the Director on the DMV notifies the Governor and Legislative Counsel Bureau there are sufficient resources to carry out the amendatory provision of this act.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB127_EN.pdf

SB 155 - Special Fuels: Tax Refunds for Farmers & Ranchers

Allows ranchers and farmers approved by the Department of Motor Vehicles to claim refunds of 80 percent of taxes paid on bulk purchases of more than 50 gallons of special fuels without keeping records of use related to the refund. Clarifies the definition of implements of husbandry and farm vehicles allowed on state highways. Requires a farm license plate and increases the current fee of \$20.50 to a non-refundable fee of \$100.00 in addition to 50 cents to defray the cost of producing the license plate.

Effective: May 27, 2015 for the adoption of regulations and performing preparatory tasks and January 1, 2016.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB155_EN.pdf

Tax Abatements, Credits and Exemptions**Abatements****AB 161 - Aircraft: Tax Abatements**

Operators of a business located or intending to locate in Nevada that own, operate, manufacture, service, maintain, test, repair, overhaul or assemble aircraft or aircraft components, may apply to the Office of Economic Development for a tax abatement of personal property and local sales and use taxes for a periods of up to 20 years. For new businesses, conditions relating to employees and capital investment must be met. Related adjustments are made to the administration of sales and use taxes.

Effective: June 8, 2015 and expires by limitation on June 30, 2035.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB161_EN.pdf

SB 170 - Personal Property and Sales and Use Taxes: Data Centers Abatements

Allows the Office of Economic Development to grant partial abatements of local sales and use taxes and personal property taxes for new or expanded data centers and any combination of data center and one or more colocated businesses that meet specific criteria, including, but not limited to the number of employees, wages paid, amount of capital investment, etc. The abatement for personal property taxes may not exceed 75% of the taxes due on personal

continued next page

Tax Abatements, Credits and Exemptions Continued**SB 170 - Continued**

property and may be for a duration of at least ten years but not more than 20 years. The abatement of the local sales and use tax is permitted for up to 20 years on approved eligible machinery or equipment.

Effective: June 9 for adopting regulations and preparatory tasks and January 1, 2016 for all other purposes. This act expires by limitation on June 30, 2036.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB170_EN.pdf

Credits**AB 165 - MBT Credits for Educational Choice Scholarship Program**

Creates a credit against the MBT for approved donations to a scholarship organization that is exempt from taxation pursuant to IRS code 501 (c)(3) and approved by the Department of Taxation. The credit against the MBT must not exceed the amount of the donation. A maximum of \$5 million can be approved each year of the 2016-2017 biennium by the Department and 110 percent of that amount may be approved in each succeeding year. Guidelines for eligible organizations and disbursements are established.

Effective: April 13, 2015

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB165_EN.pdf

SB 94 - Movie & TV Production: Transferable Tax Credits

Changes the expenditure cap for movie and television productions filmed in Nevada to an annual appropriation as approved by the legislature, and eliminates the expiration date of the program and the local government fee abatement authorization. Changes the eligibility from a producer to a production company. Make various changes including, but not limited to, qualifying expenses, the application process, timing of credit issuance, etc..

NTA: The tax credits which can be transferred are the MBT, the gross gaming tax and the insurance premium tax.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB94_EN.pdf

SB 412 - MBT: Employer Credit for Matching Contributions

Employers, including financial institutions, who match an employee's contribution to one of Nevada's college saving plans, may take a credit of 25% of the contribution up to \$500 per year, per employee against the employer's MBT payment. Unused credits may be carried forward for 5 years.

Effective: July 1, 2015 for regulations and preparatory tasks and January 1, 2016 and July 1, 2016 for all other purposes.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB412_EN.pdf

SB 412 - MBT: Employer Credit for Matching Contributions

Employers, including financial institutions, who match an employee's contribution to one of Nevada's college saving plans, may take a credit of 25% of the contribution up to \$500 per year, per employee against the employer's MBT payment. Unused credits may be carried forward for 5 years.

Effective: July 1, 2015 for regulations and preparatory tasks and January 1, 2016 and July 1, 2016 for all other purposes.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB412_EN.pdf

Tax Abatements, Credits and Exemptions Continued

Credits Continued**SB 507 - Catalyst Fund: Transferable Tax Credits**

Changes the funding incentive for new or expanding businesses from the Catalyst Fund from a loan or grant to transferable tax credits. The Executive Director is authorized to approve the credits with certain conditions. The transferable credits include the MBT, the insurance premium tax and the gross gaming tax. The amount of the annual credit is: \$500,000 for FY 2015-2016, \$2 million for FY 2016-17 and \$5 million for July 1, 2017 and thereafter.

Effective: June 8, 2015.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB507_EN.pdf

Exemptions**AB 71 - Exemptions for Veterans**

Provides that an employer who hires a veteran on or after July 1, 2015 and before June 30, 2019 who has been unemployed for 3 months and receiving unemployment compensation continuously for that period, may deduct from the wages reported for the MBT the wages of the veteran for the first four quarters after hiring, and 50 percent of the wages for the 5th through 12th calendar quarters.

Allows a person who qualifies as veteran and the surviving spouse of a veteran with a permanent service connected disability to take both the veteran's exemption from property taxes and the governmental services taxes.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB71_EN.pdf

AB 203 - Car Rental Taxes

Expands the list of deductions from the tax to include taxes or fees imposed by a governmental entity and exempts state and local governments from having to pay the tax when they rent vehicles.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB203_EN.pdf

AB 391 - Property Tax: Exemption for Religious Land

Allows vacant land used exclusively for religious worship, including, without limitation, both developed and undeveloped portions of a parcel to be exempt from the payment of property tax.

www.leg.state.nv.us/Session/78th2015/Bills/AB/AB391.pdf

SB 36 - State Business License Fee: Exemption

Provides that if a person is contracted to provide emergency service (fire, flood, earthquake) on a short term basis, they are not required to obtain a State Business License if the sole activity of the person's business is to provide vehicles or equipment. They cannot be located or have employees or be organized in this State.

Effective: May 29, 2015.

www.leg.state.nv.us/Session/78th2015/Bills/SB/SB36_EN.pdf

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