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TAXATION REVENUE (In Millions)

REVISED JUNE 2, 2003 - 4:30 PM

	TAX	FY 2004	TAX	FY 2005	Effective Date
1.	Reduce Cigarette Stamp Fee to 0.5%	\$ 3.5	Reduce Cigarette Stamp Fee to 0.5%	\$ 3.5	7/1/03
2.	Reduce Other Tobacco Allowance to Zero	\$ 0.1	Reduce Other Tobacco Allowance to Zero	\$ 0.1	7/1/03
3.	Reduce Liquor Tax Allowance to Zero	\$ 0.8	Reduce Liquor Tax Allowance to Zero	\$ 0.8	7/1/03
4.	Reduce State/LSST Retailer Allowance to Zero	\$ 19.2	Reduce State/LSST Retailer Allowance to Zero	\$ 20.3	7/1/03
5.	Business License Fee - BLF - \$100 Annual Fee	\$ 23.5	Business License Fee - BLF - \$100 Annual Fee	\$ 24.5	7/1/03
6.	Live Entertainment Tax (10% on Casino and Non-Casino) ¹	\$ 47.9	Live Entertainment Tax (10% on Casino and Non-Casino) ¹	\$ 81.1	7/1/03 & 1/01/04 ¹
7.	Cigarettes (65-Cent Increase in FY 04)	\$ 95.8	Cigarettes (65-Cent Increase in FY 04)	\$ 99.0	7/1/03
8.	Liquor (50 percent increase in FY 04)	\$ 10.1	Liquor (50 percent increase in FY 04)	\$ 10.4	7/1/03
9.	Gaming (Increase Rates by 0.25% in FY 2004)	\$ 22.5	Gaming (Increase Rates by an Additional 0.25% in FY 2005)	\$ 48.8	7/1/03
10.	Restricted Slots (33% Increase over Current Rate)	\$ 2.3	Restricted Slots (50% Increase over Current Rate)	\$ 3.6	7/1/03
11.	Secretary of State Fees (AB 536) ²	\$ 14.8	Secretary of State Fees (AB 536) ²	\$ 17.3	7/1/03 & 10/01/03 ²
12.	Business License Tax - BLT (Increase to \$125 in FY 04)	\$ 20.3	Business License Tax (Roll Back to \$85 in FY 2005 & \$50 in FY 2006)	\$ (12.6)	7/1/03
13.	Bank Franchise Fee (5 percent)	\$ 20.5	Bank Franchise Fee (5 percent)	\$ 22.1	7/1/03
14.	Real Estate Transfer Tax - RETT (\$1.88 per \$500 (.376%); ^{1st} \$100,000 exempt)	\$ 24.2	Real Estate Transfer Tax - RETT (\$1.88 per \$500 (.376%); ^{1st} \$100,000 exempt)	\$ 48.5	1/1/04
15.	Unified Business Tax - UBT ³	\$ 49.8	Unified Business Tax - UBT ³	\$ 146.4	1/1/04 - 12/31/04 - Phase In; 1/1/05 - Full Implementation ³
	TOTAL	\$ 355.3	TOTAL	\$ 513.8	
	BIENNium TOTAL			\$ 869.1	

¹ 10 percent tax on admissions to live entertainment event, including food and beverages. Tax effective July 1, 2003 for gaming properties and January 1, 2004 for non-gaming establishments.

² Increase commercial recording fees effective October 1, 2003

³ FY 2004 - Unified Business Tax (UBT) becomes effective on January 1, 2004. From January 1, 2004 through June 30, 2004, the tax is imposed on businesses with gross revenue in excess of \$3,000,000. The UBT is imposed at a rate of 0.25 percent on gross revenue in excess of \$450,000, not to exceed 1 percent of gross profit. Gross profit is defined as gross revenue less cost of goods sold. This figure includes a number of deductions, including, without limitation, a deduction for subcontractor costs incurred by a master developer. Any revenue received by a business entity from any sale of food for human consumption which is exempt from taxation under the Sales and Use Tax Act is exempt from the UBT tax. Taxes upon gross gaming revenue and financial institutions are not included in this figure; but rather, are reported on other lines of this summary (e.g., gaming tax increase and banking franchise tax).

FY 2005 - From July 1, 2004 through December 31, 2004, the tax is imposed on businesses with gross revenue in excess of \$3,000,000. The UBT is imposed at a rate of 0.25 percent on gross revenue in excess of \$450,000, not to exceed 1 percent of gross profit. Definitions, exclusions, deductions, and other provisions are unchanged from FY 2004. Any revenue received by a business entity from any sale of food for human consumption which is exempt from taxation under the Sales and Use Tax Act is exempt from the UBT tax. From January 1, 2005 through June 30, 2005, the UBT is imposed at a rate of 0.25 percent on gross revenue in excess of \$450,000, not to exceed 1 percent of gross profit. Again, definitions, exclusions, deductions, and other provisions remain unchanged.

BACKGROUND ON CURRENT TAX RATES IN STATUTE FOR TAXES PROPOSED TO BE CHANGED AND SUMMARY INFORMATION ON PROPOSED NEW TAXES

1. CIGARETTE STAMP FEE ALLOWANCE (DISCOUNT) PROVIDED TO CIGARETTE DEALERS FOR SERVICES RENDERED IN AFFIXING STAMPS

Current Statute: Provides a 3 percent collection allowance (discount) to cigarette dealers for services rendered in affixing tax stamps to packages.
Proposed Change: Reduce collection allowance (discount) to 0.5%.

2. OTHER TOBACCO COLLECTION ALLOWANCE

Current Statute: Provides a 2 percent collection allowance (discount) to tobacco dealers for services rendered in collecting and remitting tax to the state.
Proposed Change: Reduce collection allowance (discount) to 0.0%.

3. LIQUOR TAX COLLECTION ALLOWANCE

Current Statute: Provides a 3 percent collection allowance, if paid on or before the 15th of each month, for services rendered in collecting and remitting tax to the state.
Proposed Change: Reduce collection allowance (discount) to 0.0%.

4. STATE/LSST SALES TAX COLLECTION ALLOWANCE

Current Statute: Provides a 1.25 percent collection allowance to retailer for services rendered in collecting and remitting tax to the state.
Proposed Change: Reduce collection allowance (discount) to 0.0%.

5. BUSINESS LICENSE FEE

Current Statute: Provides for a one-time \$25 state business license filing fee paid to the Department of Taxation.
Proposed Change: Change to a \$100 annual business license fee, including business entities filing with the Secretary of State and sole proprietors.
Direct and home sellers, as specified in NRS 612.144, are exempt from filing and paying the \$100 annual business license fee.
FY 2002 Actual Collections: \$680,845

6. LIVE ENTERTAINMENT TAX (LET) - [NEW TAX]

The LET tax makes the current Casino Entertainment Tax (CET) applicable to entertainment venues and activities currently exempt from taxation and expands the tax to non-gaming establishments. The LET will impose a 10% tax on the admissions and food, beverage, and merchandise sales when live entertainment is provided. "Live entertainment" means any activity provided for pleasure, enjoyment, recreation, relaxation, diversion, or other similar purpose by a person or persons who are physically present when providing that activity to a patron or group of patrons who are physically present. The Department of Taxation is authorized to provide by regulation a more detailed definition of live entertainment for determining whether an activity is taxable. The LET is effective July 1, 2003 with regards to removing current CET exemptions for gaming establishments and the LET is effective January 1, 2004 for non-gaming establishments to give the Department of Taxation an opportunity to establish a collection process.

7. CIGARETTE TAX

Current Statute: Imposes a tax of 35-cents per pack of 20 cigarettes of which 25 cents per pack goes to state general fund.
Proposed Change: Increase tax by 65-cents per pack to \$1.00; increasing the state rate to 90-cents per pack of 20.
FY 2002 Actual Collections: \$41,843,892

8. LIQUOR TAX

Current Statute: Imposes a tax of 9 cents per gallon on beer; 40 cents per gallon on liquor up to 14% alcohol by volume (wine); 75 cent per gallon on liquor over 14% up to 22% alcohol by volume (cordials); and \$2.05 per gallon on alcohol over 22% by volume (hard liquor).
Of the \$2.05 per gallon on alcohol over 22%, \$1.40 per gallon goes to state general fund.
Proposed Change: The tax rate on the four types of liquor will increase by 50%; changes the tax on beer to 14 cents per gallon; tax on wine to 60 cents per gallon; tax on cordials to \$1.12 per gallon; and tax on hard liquor to \$3.08 per gallon (state portion increases from \$1.40 to \$2.43 per gallon).
FY 2002 Actual Collections: \$15,995,650

9. GROSS GAMING PERCENTAGE FEE TAX

Current Statute: Tax on monthly gross gaming revenue of 3% up to \$50,000; 4% over \$50,000, up to \$134,000; and 6.25% over \$134,000.
Proposed Change: Tax rates increase by a 0.25% to 3.25%; 4.25% and 6.50% in FY 2004 and then increase by another 0.25% to 3.5%; 4.50%; and 6.75% in FY 2005.
FY 2002 Actual Collections: \$554,639,216

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10. RESTRICTED SLOT TAX

Current Statute: Quarterly tax on restricted slot machines of \$61 per machine for machines 1 through 5 and \$106 per machine per quarter for machines 6 through 15.
Proposed Change: 33 percent increase in FY 2004, tax will increase to \$81 for each machine 1 through 5 and \$141 for each machine 6 through 15.
50 percent increase over current rate in FY 2005, tax per machine to \$92 for each machine 1 through 5 and \$159 for each machine 6 through 15.
FY 2002 Actual Collections: \$6,719,870

11. SECRETARY OF STATE FEES

Current Statute: There are fees collected by the Secretary of State's office for filing as business entity in the State of Nevada as well as other fees charged by the Secretary of State for amendments and changes to filing status. Corporations are required to pay a graduated initial filing fee based on the value of the stock, with the minimum fee at \$175 and an initial fee of \$165 for filing list of officers/directors and are then required to pay an annual list of officers/directors filing fee of \$85. Limited-liability companies (LLC), limited partnerships (LP), and limited-liability partnerships (LLP) are required to pay a fee of \$175 for initial articles of organization/registration and a initial fee of \$165 for filing list of managers/partners/members and then required to pay annual fee of \$85 for filing list of managers/partners/members.
Proposed Changes: AB 536 increases most of the Secretary of State's fees charged by the SOS for amendments and changes to filing status as well as other services provided. AB 536 lowers the graduated rates imposed on a corporation based on their value of stock, lowering the minimum fee to \$75. The initial fee for filing list of officers/managers/partners/members is lowered to \$125 (from \$165) and the annual fee for filing the list is raised to \$125. The proposal shown in the table reduces the fee for filing annual list of officers/managers/partners to \$85, due to requiring the \$100 annual business license fee (BLF) to be paid by all types of business entities filing with the Secretary of State's office.

12. BUSINESS LICENSE TAX

Current Statute: Annual tax of \$100 (\$25 per quarter) per full-time equivalent (FTE) employee.
Proposed Change: Tax increases in FY 2004 to \$125 per FTE per year (\$31.25 per quarter); decrease to \$85 per FTE per year (\$21.25 per quarter) in FY 2005, and decrease to \$50 per FTE per year (\$12.50 per quarter) in FY 2006.
FY 2002 Actual Collections: \$78,394,651

13. BANK FRANCHISE TAX - [NEW TAX]

A tax of 5 percent will be imposed on the net income of the financial institutions derived from business conducted by the institution within this state for the preceding calendar quarter. The definition of financial institutions does not include nonprofit organizations recognized as exempt from taxation pursuant to 26 U.S.C., Sec 501 or credit unions organized under chapter 678 of NRS or the Federal Credit Union Act.

Although the tax is effective July 1, 2003, Dept. of Taxation will not be able to implement tax until January 1, 2004. However, the payments for the quarter beginning July 1, 2003 and October 1, 2003 will be due on or after January 1, 2004 and on or before April 30, 2004. Thus, the state will collect a full year in FY 2004.

14. REAL ESTATE TRANSFER TAX (RETT) - [NEW TAX]

A tax of \$1.88 per \$500 (0.376%) on the transfer of real property exceeding \$100,000 in value will be collected by the Department of Taxation.

15. UNIFIED BUSINESS TAX (UBT) - [NEW TAX]

FY 2004 - Unified Business Tax (UBT) becomes effective on January 1, 2004. From January 1, 2004 through June 30, 2004, the tax is imposed on businesses with gross revenue in excess of \$3,000,000. The UBT is imposed at a rate of 0.25 percent on gross revenue in excess of \$450,000, not to exceed 1 percent of gross profit. Gross profit is defined as gross revenue less cost of goods sold. This figure includes a number of deductions, including, without limitation, a deduction for subcontractor costs incurred by a master developer. Taxes upon gross gaining revenue and financial institutions are not included in this figure; but rather, are reported on other lines of this summary (e.g., gaining tax increase and banking franchise tax).

FY 2005 - From July 1, 2004 through December 31, 2004, the tax is imposed on businesses with gross revenue in excess of \$3,000,000. The UBT is imposed at a rate of 0.25 percent on gross revenue in excess of \$450,000, not to exceed 1 percent of gross profit. Definitions, exclusions, deductions, and other provisions are unchanged from FY 2004. From January 1, 2005 through June 30, 2005, the UBT is imposed at a rate of 0.25 percent on gross revenue in excess of \$450,000, not to exceed 1 percent of gross profit. Again, definitions, exclusions, deductions, and other provisions remain unchanged.