F-1 OF 7

Implementation Plan for the Nevada Revenue Enhancement
(For the Department of Taxation Only)

Phase I: Current Year FY 2002-03

Tax	Change	Effective Date	Workload	Tasks	Issues	Costs
Cigarette Tax	Increase Tax Rate	30 days Implement on the first of the next month.	103 accounts No change	Change rate at desktop. Update access database for liquor tax. Revise tax returns. Prepare and mail educational materials. Future IT migration	Manual process. Currently understaffed & have minimal enforcement and compliance	Total biennial cost, $350 K 3 FTE: 1 tax examiner 2 revenue officers. Equipment and Computers Operating and support costs Printing and postage
Liquor Tax	Increase Tax Rates	30 days	66 accounts No change	Same as for cigarette tax.	Same as for cigarette tax	Included in cigarette tax costs.

ASSEMBLY COMMITTEE ON TAXATION
DATE: 2/13/03 ROOM: 1214 EXHIBIT F
SUBMITTED BY: CHARLES CHINNOCK

Business Activity Tax (BAT)	Increase Tax Rates	Minimum, one month prior to end of Qtr	Currently 80,000 quarterly accts. (320,000 returns/year)	Change rate at desktop. Revise tax returns. Prepare and mail educational materials Future IT migration. Revise regulations to reflect legislative changes.	A tax increase does not change the workload.	Total biennial cost, $5.9 million.
	Expand tax base to include all businesses, all employees, and sole proprietors.		Additional: 60,000. accts. (additional 240,000 qtly returns to process.)	Expand database to add sole proprietors, all businesses and business owners. Use IRS & other data to identify taxpayers in Nevada and prepare mailing list. Update ACES tables. Future IT integration when ACES replaced with Unified Tax System. Prepare educational materials, revise tax return., mail to taxpayers. Recruit, hire and train new staff. Purchase new equipment and set up office space	Expanding the tax base increases the workload by 41%. To continue in-house processing requires resources for staff, equipment, and office space. Feasibility and costs for outsourcing are not available Current statute allows retroactive relief for misfiling	Costs include 56 FTE for auditors, revenue officers, tax examiners, technical support, administrative support. Additional office space, equipment, and phones in Reno and Las Vegas. Printing and postage.

F-2 of 7

Implementation Plan for the Nevada Revenue Enhancement
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Phase II: The Bridge

FY 2003-04 and FY 2004-05

Tax	Change	Effective Date	Workload	Tasks	Issues	Costs
Business License Fee	Implement an annual $100 business license fee.	7/1/03	Currently 80,000 accounts. 60,000 accts. additional with annual fee. 20,000 accts. opened or closed annually.	Define applicability of tax Update current database with additional accounts. Prepare educational materials and mail to taxpayers. Update ACES tables. Future IT migration.	Annual filing on anniversary date. Technically easier to treat as a separate filing. Clarification needed on application of fee to different types of businesses (LLC, LLP, etc).	Costs included in BAT estimates. See BAT staff increases. New business license fee accounts will be part of the increased workload. Printing and Postage
Property Tax	Increase property tax by $0.15 per $100 AV	FY 04-05	No impact	No significant tasks	Will there be a change to the existing $3.64 cap	No resources needed.

F-3 OF 7

Admissions and Amusement tax	Implement a new tax on admissions and amusement at 7.3%.	10/1/03	3,200 new accounts. File quarterly. 12,800 returns annually.	Draft regulation Prepare educational materials, tax returns, and mail to taxpayers. Program ACES. Future IT integration when ACES replaced with a Unified Tax System. Recruit, hire, train staff for data entry, tax processing and compliance.	Businesses will need time to set up their systems to collect the tax.	Total biennial cost is $1.2 Million 11 additional personnel. Additional office space, equipment, and phones. Printing and postage

F-4 OF 7

Implementation Plan for the Nevada Revenue Enhancement
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Phase III: The Transition

FY 2005-06 and FY 2006-07

Tax	Change	Effective Date	Workload	Tasks	Issues	Costs
Gross Receipts Tax (GRT)	New business tax on gross receipts	7/1/05	140,000 new	**Year 1:** 1a) Draft regulations Regulations will be needed for allocation/apportionment, Some of the deductions such as pass through revenue. 1b) Computer System Replace ACES with Unified Tax System. In year 1 determine computer needs. Implement core programs and associated modules. Consider electronic administration (electronic filing, electronic funds transfer, and credit card needs) in computer package. Design, and build system.	Outsource portions of tax administration? Determine threshold for filing. .	**Year I:** $825,000 first year cost for 4 FTE. Additional office space, equipment, phones, Postage and printing **Year 2:** $2.8 million for 67 FTE Additional office space, equipment, phones, Postage and printing

F-5 of 7

				1c) Organizational Change Determine plan for organizational changes to manage the SAT and other changes. Develop new position descriptions and classifications. Develop training programs. Develop plan for new office space and leases, equipment purchases, phones, etc. 1d) Start design of new return Paper and electronic forms. 1e) Taxpayer education Prepare education materials about SAT and how they can prepare (ie. Information they will need, etc.) Use web site to educate as well as printed materials **Year 2** 2a) Computer System Finish building, test and implement computer system and electronic tax administration.		**Biennial IT Costs** range from $16.9 million for in-house development to $26.7 million for outsourcing. Replace ACES with a Unified Tax System.

				2b) <u>Organizational Change</u> Recruit, hire and train personnel Expand office space for new personnel. 2c) <u>Finalize and print new return.</u> Train staff (data entry needs training unless everything is electronic. 2d) <u>Taxpayer Education</u> Prepare detailed materials on new tax and how to file it. Taxpayer workshops in urban areas. Phone line help and website information. Mail 'sample" returns early to train taxpayers. No tax is due. 2e) <u>Implement 7/1/05.</u> Third Quarter returns due 10/31/05.		
Business Activity Tax (BAT)	Decrease tax rate from $300 to $140 per FTE employee.	7/1/05	No impact	Change rate in computer database. Revise tax returns. Prepare and mail educational materials along with SAT materials.		No impact

F-7 OF 7