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State of Nevada
DEPARTMENT OF TAXATION

SB 219 & AB 204

Kenny C. Guinn
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Executive Director

BUSINESS TAX ANALYSIS
Change to Per Quarter Tax Only

Title of the Tax:	Business Tax
Statutory Authority:	NRS 364A
Basis of the Tax:	Increase the tax to \$300 per year. Quarterly employee calculation based upon statutory formula.
Procedure:	Quarterly Filing: tax returns would be updated to show \$75 instead of \$25 per full time employee.
Rate:	\$75 per quarter per employee, full time equivalent.
Distribution:	State General Fund
Exemptions:	Current exempt organizations, calculation of hours for students, credit for on-site child care, proposed businesses under NV Commission on Economic Development and contracts signed prior to 7/1/91.
Yield:	\$41 million for FY 2003
Department Requirements	
Existing Workload	80,000 active business tax accounts.
Impact – New Workload	No additional accounts.
Regulations	No new regulations needed for implementation.
Resources – Costs, Equipment, Manpower, Space	No additional resources.
Lead Time	Last month of a quarter to implement; last collections for FY 2003, due July 31, 2003.
Information Technology	Reprogram existing ACES tax system.
Statute Changes	NRS 364A.140

INTOXICATING LIQUOR TAX ANALYSIS

Title of the Tax:	Intoxicating Liquor Excise Tax			
Statutory Authority:	NRS 369			
Basis of the Tax:	Tax on importing, storing, possessing or selling liquor in Nevada.			
Procedure:	The tax is paid by a Nevada licensed importer or manufacturer upon the importation, possession, or sale of liquor in Nevada. The tax is due on the 20 th day of the following month after the liquor was shipped to a person in this state. If the importer pays the tax on or before the 15 th day of the month a 3% discount is given per NAC 269.014.			
Rate:	Type of alcohol beverage:	Current rates are:	Proposed increase (89%):	Difference
	Malt beverage,	\$.09 per gal.	\$.17 per gal.	\$.08
	Up to 14% alcohol,	\$.40 per gal.	\$.76 per gal.	\$.36
	14% to 22%,	\$.75 per gal.	\$1.42 per gal.	\$.67
	More than 22%,	\$2.05 per gal.	\$3.87 per gal.	\$1.82
Distribution:	Consolidated Tax Distribution: \$.50 per gallon of liquor over 22% alcohol by volume. Alcohol & Drug Abuse Account: the amount of tax exceeding \$1.90 per gallon on liquor over 22% alcohol by volume. The current amount is \$.15 cents per gallon. All remaining revenues to State General Fund. Increased revenues from increased tax rate to State General Fund.			
Exemptions:	Common carriers while engaged in interstate commerce. Army, Navy and Air Force exchanges; officer's, non-commissioned officer's and enlisted men's clubs or messes. Permissible persons: ministers, doctors, apothecary, pharmaceuticals, schools, universities, hospitals, clinics or industrial concerns where liquor is used for sacramental or industrial purposes and not for beverage purposes.			
Yield:	\$4 million in additional revenue for fiscal year 2003.			
Department Requirements				
Existing Workload	Collect and deposit revenue generated. Verify importer and supplier reports each month through desk audits and track direct shipments of alcohol from the supplier to consumer. Prepare monthly statistical reports. Insure compliance of liquor tax statutes through field visits and audits. 66 existing wholesale accounts.			
Impact – New Workload	Notification to wholesalers and retailers regarding the increase in tax rate.			
Regulations	No new regulations needed for implementation.			
Resources – Costs, Equipment, Manpower, Space	No additional resources for FY 2003. Mailing costs to notify and send new returns to all importers, wholesalers and suppliers for tax rate changes. Change monthly reporting forms to reflect new tax rate.			

Lead Time	Implement the 1 st of the month.								
Information Technology	An Access database is maintained for returns of importers and wholesalers. The database needs to be updated to reflect new rates								
Statute Changes	<p>NRS 369.174 will need to be changed if the increased rate for alcohol over 22% is to be distributed to the General Fund, otherwise it will be distributed to the Alcohol & Drug Abuse Account. Currently all monies received from the over 22% category are distributed as follows:</p> <table> <tr> <td></td><td>Will change to:</td></tr> <tr> <td>\$1.40 per gal General Fund</td><td>\$3.22 per gal</td></tr> <tr> <td>\$.50 per gal Consolidated Tax Distribution</td><td>\$.50 per gal</td></tr> <tr> <td>\$.15 per gal to Alcohol and Drug Abuse Fund</td><td>\$.15 per gal</td></tr> </table> <p>NRS 369.330 will need to be updated to reflect the new rate.</p>		Will change to:	\$1.40 per gal General Fund	\$3.22 per gal	\$.50 per gal Consolidated Tax Distribution	\$.50 per gal	\$.15 per gal to Alcohol and Drug Abuse Fund	\$.15 per gal
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CIGARETTE TAX ANALYSIS

Title of the Tax:	Cigarette Excise Tax
Statutory Authority:	NRS 370
Basis of the Tax:	Tax on the sale of cigarettes in Nevada.
Procedure:	A revenue tax stamp placed on the package or container of cigarettes is evidence tax has been paid. A Nevada licensed wholesaler purchases stamps from the Department of Taxation and affixes the stamps to the package of cigarettes. Tax is precollected by the wholesaler and must be recovered from the consumer by adding the amount of the tax to the selling price. Nevada Licensed wholesalers are allowed to defer their payment of stamps until the 25 th day of the following month of purchase. For example, if a wholesaler has been granted the authority to defer payment of stamps, and the order is placed in the month of October, the excise tax less collection allowance (3%) is due on November 25 th .
Rate:	The current rate is 17.5 mills per cigarette, which equates to \$.35 per pack of 20 cigarettes. The proposed increase is 35 mills per cigarette or \$.70 per pack of 20 cigarettes, which totals 52.5 mills per cigarette or \$1.05 per pack of 20 cigarettes.
Distribution:	Currently the State General Fund (12.5 mills per cigarette) and consolidated tax distribution to local governments (5 mills per cigarette). Additional tax (35 mills per cigarette) to State General Fund.
Exemptions:	Cigarettes sold on an Indian reservation or colony in which the tribal government has enacted an excise tax equal to or greater than the State of Nevada's rate.
Yield:	\$30 million in additional revenue for fiscal year 2003.
Department Requirements	
Existing Workload	Collect and deposit revenue generated. Fill cigarette stamp orders and verify wholesaler's inventory of stamps each month. Monitor Department's inventory of stamps in district offices and order stamps from the manufacturer. Prepare monthly statistical reports and a yearly report of cigarettes sold by non-participating manufacturers for the Attorney Generals office. Insure compliance of cigarette tax statutes through field visits and audits.
Impact – New Workload	Notification to wholesalers and retailers regarding the increase in tax rate. Additional workload for compliance and enforcement.
Regulations	No new regulations needed for implementation.
Resources – Costs, Equipment, Manpower, Space	No additional costs for FY 2003. Mailing costs to notify all wholesalers and retailers of tax rate changes and purchase limits. Cost to print new purchase orders with the new tax rate.

Lead Time	Implement the 1 st of the month.
Information Technology	An Access database is maintained for returns of wholesalers. The database needs to be updated to reflect new rates.
Statute Changes	NRS 370.165, NRS 370.260 and NRS 370.350 will need to be updated to reflect the new rate. Levy tax through transition of stamps.