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Business And Taxes

Business Representatives Group
April 8, 2003

Care Amodei SB 382

- Best bill at this time
- But...needs some enhancement to be consistent with ACR 1

We Support

- Transition Tax on Services
 - Amusements folded in to create one system
- Business License Tax
- Sales & Use Tax Expansion
- Secretary of State Fees
- Passive Revenue Measures
- Budget Reductions

Most Importantly

• MESSAGES OF STABILITY & CERTAINTY

- Decade of known taxes sends the right message
- The business community can be more comfortable knowing its tax obligations
- This is the right message to Nevada's taxpayers

The BLT

- Increases can be implemented quickly
- Provides an immediate cash flow increase
- Supported by BRG early and consistently

The Payroll Tax

- Needs clarification to implement
- Broad based
- Possibly NOT NEEDED

Secretary of State Fees

- Can be increased without damaging Nevada's competitive edge
- This bill may be the vehicle
- Clearly a legislative decision point

Property Taxes

- Broad based
- 47% paid by Businesses
- Increases MAY NOT BE NEEDED

Sales Tax on Services

ACR 1 Considerations

ACR I Considerations

"The development of a broad-based tax structure that is reflective of the diversity of Nevada's economy is a desirable policy..."

ACR I Considerations

- Identified a tax on sales or services for specific review
- Charged the Task Force to
 - "consider ways to reduce budgetary reliance on volatile or cyclical revenue streams;"
 - "consider the desirability of lowering the state's sales and use taxes over time as new tax revenues become available"
 - "develop one or more definitive proposals to carry out the state's need to provide additional revenue for state programs, to stabilize the tax base and to reduce the long-term structural deficit of the state budget."

Tax on Services

- Taxes the larger, growing portion of the economy providing
 - Stability of revenue
 - Breadth of tax base
 - Growth of tax base and tax revenue that matches economy and population
 - Predictability of revenue
 - Insulation from internet leakage

Tax on Services

- Implementation as soon as January 1, 2004
 - Collection infrastructure already exists
- BRG recommends 5% on all taxable goods and services (not 3% suggested)

Tax on Services

- Exemptions can include non-discretionary spending categories most households purchase yet
- Service tax base is larger than sales tax on products base
- Still provide hundreds of millions of dollars of new revenue

Tax on Services at 5%

- \$400-500 million in new revenue
 - Educational enhancements or tax relief in other areas
- Tax Relief from Product Sales Tax
- Economic Stimulus
 - Rate lower than surrounding states provides an incentive for purchases of goods and capital investment

Tax on Services

- Design that businesses and higher income individuals pay the bulk of the tax
- Businesses are major users and purchasers of outside services such as
 - Legal, accounting, consulting, security, janitorial, payroll processing and computer services

Tax on Services

- Design to avoid pyramiding by exempting items for resale
- Honest and transparent
 - Clearly stated on the bill
 - Allows consumers to make informed choices

The Proposed Tax on Services will

- Tax Services used primarily by Businesses and those who can most afford to pay.
- Generate more revenue than the Gross Receipts Tax (GRT).
- Collect revenue at an earlier date than the GRT.
- Reduce administrative and taxpayer compliance costs compared to the GRT, and
- Allow a Reduction in the Sales Tax on Products.

This Plan With Ratios (Over 9000)
Million that will give the 100,000 of
Significant Opportunity to Broad
Educational Funding

A Reduction in the Sales Tax Will Result in Increased Sales through Out of State Markets

Like Proposed Tax on Services

Consumers Will Save and
Businesses Will Pay

Non Taxable Service Categories

Advertising
Agricultural, Forestry, Fishery Services
Amusement and Recreation Services
Automobile- Personal Repair and Services
Beauty and Barber Shops
Bowling Alleys and Pool Halls
Child Day Care Services
Communications
Construction Government New Facilities
Construction New Highways and Streets
Construction New Industrial and Commercial Buildings
Construction New Landscaping
Construction New Mineral Extraction Facilities
Construction New Residential Structures
Construction New Utility Structures
Doctors, Dentists and Prescription Drugs
Educational Services
Gas and Electric Utility Services
Funeral Service and Crematories
Gas and Oil Production and Distribution
Hospitals
Job Trainings & Related Services
Residential Maintenance and Repair
Miscellaneous Personal Services (i.e. manicure and hairstyling)
Movie Tickets and Video Rentals
Newspapers and Magazines
Nursing and Protective Care
Other Medical and Health Services
Personal Laundry, Cleaning and Shoe Repair
Portrait and Photographic Studios
Radio and TV Broadcasting
Residential Care
Sanitary Services and Steam Supply
Social Services
Theatrical Productions, Bands Etc.
Veterinary Services
Water Supply and Sewerage Systems

Sales Tax Rates for Large Cities in Neighboring States

City	Sales Tax Rate
Los Angeles	8.25%
San Diego	7.75%
Orange County	7.75%
Phoenix	7.50%
Sacramento	7.75%
Salt Lake City	6.60%

Top 10 Selling Vehicles in the United States

Vehicle	Base Price	Current Nevada Sales Tax of 7.25%	Proposed Sales Tax of 5%	Savings
2003 Ford F-150 4x4	\$25,610	\$1,856.73	\$1,280.50	\$576.23
2003 Chevrolet Silverado 4x4	\$27,900	\$2,022.75	\$1,395.00	\$627.75
2003 Honda Accord	\$ 25,900	\$1,877.75	\$1,295.00	\$582.75
2003 Toyota Camry	\$25,405	\$1,841.86	\$1,270.26	\$571.60
2003 Dodge Ram	\$31,175	\$2,260.19	\$1,558.75	\$701.44
2003 Ford Explorer 4x2	\$34,575	\$2,506.69	\$1,728.75	\$777.94
2003 Ford Taurus	\$23,730	\$1,720.43	\$1,186.50	\$533.93
2003 Honda Civic	\$16,810	\$1,218.73	\$840.50	\$378.23
2003 Toyota Corolla	\$14,680	\$1,064.30	\$734.00	\$330.30
2003 Ford Ranger 4x2	\$17,295	\$1253.89	\$864.75	\$389.14

Internet Average Prices

Various Household Items

Item	Base Price	Current Nevada Sales Tax of 7.25%	Proposed Sales Tax of 5%	Savings
Alta Luxury Tight Top Queen Mattress	\$ 499.99	\$36.25	\$24.95	\$11.30
Sony PCVRZ22G Desktop Computer	\$1,449.99	\$105.12	\$72.50	\$32.62
Panasonic SV-AV10R Digital Camera	\$249.99	\$18.12	\$12.50	\$5.62
Sony 32 inch FD Trinitron® Wega TV	\$749.00	\$54.30	\$37.45	\$16.85
Frigidaire Washer Dryer Laundry Center	\$752.99	\$54.59	\$37.65	\$16.94
Alexa Sofa by Mitchell Gold	\$1,099.00	\$79.68	\$54.95	\$24.73
GE Profile Arctica™ Top-Freezer Refrigerator	\$1,079.00	\$78.23	\$53.95	\$24.28
Whirlpool Standard Clean Gas Range	\$499.00	\$36.18	\$24.95	\$11.23
Equator Full Size Dishwasher	\$529.00	\$38.35	\$26.45	\$11.90
Bosch Portable Table Saw	\$467.00	\$33.86	\$23.35	\$10.51
Brother PE 150 Sewing Machine	\$388.88	\$28.19	\$19.44	\$8.75
5 Michelin LX4 All-Season Tires	\$780.00	\$56.55	\$39.00	\$17.55
Weber Genesis Silver-A Liquid Propane Outdoor Gas Grill	\$329.88	\$23.91	\$16.50	\$7.41
Raven Hill 5-Piece Patio Set	\$398.00	\$28.86	\$19.90	\$8.96
Schwinn Deluxe Double Jogging Stroller	\$329.00	\$23.85	\$16.45	\$7.40
Honda HRS216SDA Self-Propelled Lawn Mower	\$399.00	\$28.93	\$19.95	\$8.98
Frigidaire Air Conditioner	\$579.00	\$41.98	\$28.95	\$13.03
Back to School Clothes and Supplies for 2 Children	\$1,000.00	\$72.50	\$50.00	\$22.50

Internet Average Prices

E-14 of 14