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Bill Explanation

ASSEMBLY BILL 281 Assembly Committee on Taxation Hearing: April 29, 2003

Summary: **Imposes and increases certain taxes and fees and makes various changes to provide additional state revenue and to stabilize revenue base of state.**

Sections 1 to 35:

Provide for the imposition and administration of a gross receipts tax on businesses. **Section 195** makes these sections effective on passage and approval for the adoption of regulations and other administrative tasks and on July 1, 2004 for the imposition of the tax. The key sections include:

- ❖ **Section 8** defines "gross receipts" to include the gross amount received for use, sale or exchange of property or capital or for the performance of services. The definition specifically excludes revenue of a federally tax-exempt organization received as membership fees or dues or from fund-raising activities; from the operation of a public utility for the provision of electric, gas, water or sewer service; of both non-restricted and restricted gaming licensees from gaming activities, whether taxable or not.
- ❖ **Section 12** requires the Department of Taxation to administer and enforce the tax and deposit the proceeds into the state General Fund.
- ❖ **Section 17** imposes the tax at the rate of 0.25 percent on gross receipts in excess of \$87,500 per quarter or \$350,000 per fiscal year.
- ❖ **Section 18** authorizes a quarterly credit of \$25 for each equivalent full-time employee against the gross receipts tax as determined for the business license tax.
- ❖ **Section 19** allows a business to deduct from gross receipts revenue that the state is prohibited from taxing by the U.S. and state constitutions and federal law; governmentally-imposed fuel tax revenue; interest on securities issued by the U.S. government or state and local governments in Nevada; pass-through revenue; dividends or distributions received by a parent company from the capital account of a subsidiary company; revenue received by a hospital from a government entity; cash discounts allowed to a purchaser; bad debt that can be written off by a business for federal taxes; counterfeit currency that is not reimbursed; and payments received from claims for health, casualty or life insurance.
- ❖ All remaining sections add provisions common to tax law, including definitions, the apportionment of receipts for multi-state entities, and various administrative provisions for the payment and collection of taxes including such things as penalties, interest and refunds.

Sections 36 to 63:

Provide for the imposition and administration of a tax on certain admissions and amusements. **Section 195** makes these sections effective on passage and approval for the adoption of regulations and other administrative tasks and on July 1, 2003 for the imposition of the tax. The key sections include:

- ❖ **Section 40** defines "group entertainment" to include all forms of entertainment provided for groups of spectators.
- ❖ **Section 42** requires the Department of Taxation to administer and enforce the tax and deposit the proceeds into the state General Fund.
- ❖ **Section 46** imposes an excise tax of 6.5 percent on the admission charge to any place where group entertainment is provided. The section specifically excludes group entertainment subject to the casino entertainment tax; provided to a government entity or educational institution sponsored by a governmental entity; provided to a federally tax-exempt non-profit organization or a person who donates at least 60 percent of the proceeds to such an organization; provided for the privilege of attending convention, exhibition or trades not open to the general public; and all forms of participatory recreational activity.
- ❖ **Section 47** imposes an excise tax of 6.5 percent of the rental price of videotapes, videodiscs and video games.
- ❖ **Section 50** authorizes a taxpayer to retain 1.25 percent of the amount of the tax for reimbursement for the costs of collecting and remitting the tax.
- ❖ All remaining sections add provisions common to tax law, including definitions and various administrative provisions for the payment and collection of taxes including such things as penalties, interest and refunds.

Sections 64, 74 and 167:

Require the Departments of Taxation, Motor Vehicles and Administration, respectively, to adopt regulations for the electronic submission of returns and payments by credit or debit cards and electronic funds transfers for taxes and fees.

Sections 65 to 73:

Include references within the general administrative provisions for the Department of Taxation in chapter 360 of the NRS to the appropriate sections for the gross receipts tax and admissions tax.

Sections 75 and 89:

Exclude the admissions tax from the definition of "net revenue" for purposes of administering the property tax and sales tax exemptions, respectively, for fine art for public display.

Sections 76 and 77:

Reduce the property tax cap from \$3.64 to \$3.14 per \$100 of assessed value and exclude state levies and school district levies from the cap.

Sections 78, 82 and 188:

Eliminate the tax exemption for the sole proprietor, co-owner or first partner of all non-incorporated businesses effective July 1, 2003.

Sections 79/193 and 80:

Impose the \$25 business license fee annually beginning on July 1, 2003 and restore the fee to a one-time fee of \$25 on July 1, 2005, respectively.

Section 81: Increases business license tax to \$35 per quarter for each equivalent full-time employee of a business, effective July 1, 2003.

Sections 83 and 84:

Increase, effective July 1, 2003, the tax rates of various types of alcoholic beverages by about 89 percent and deposit the revenue from the increases to the General Fund.

Sections 85 to 87:

Increase, effective July 1, 2003, the cigarette tax from 35 cents per pack to \$1.05 per pack of 20 and deposit the revenue from the increases to the General Fund.

Sections 88 and 90:

Allow, effective July 1, 2005, a sales tax collection allowance of 1.25 percent only if the tax is remitted within the first seven days of the reporting period, and 0.75 percent only if the tax is remitted by the last day of the reporting period.

Sections 91 to 155, 159 to 165, 174 to 181 and 185 to 186:

Increase Secretary of State fees by approximately 50 percent effective July 1, 2003.

Section 156: Requires the Legislative Committee for Local Government Taxes and Finance to include a review of state and local tax exemptions within its ongoing duties.

Sections 157 and 158:

Create and assign duties to an Office of Federal Grants Acquisition within the Governor's office.

Section 166: Requires public bodies to include a clause regarding compliance with state and local laws in each public works contract.

Sections 168 to 170:

Provide that state levies and school levies must be included in the combined rate when certain emergency property tax levies for local governments are imposed.

Sections 171 and 173:

Increase the rate of the gaming percentage fee by 1/4 percent in each bracket effective July 1, 2005, and increase the rate of tax to 6.5 percent for which a manufacturer of interactive gaming systems is liable, respectively.

Section 172: Increases the quarterly fees on restricted slots by about 33 percent effective July 1, 2003.

Sections 182 to 184:

Clarify, effective July 1, 2005, that insurance companies, captive insurers and fraternal benefit societies, respectively, are subject to the gross receipts tax on their revenues received from sources other than premiums.

Section 189: Appropriates to the Department of Taxation \$20 million in FY 2004 and \$5 million in FY 2005 to carry out its duties pursuant to this act.

Section 190: Imposes a state property tax of 13 cents per \$100 of value during FY 2004 and 8 cents per \$100 of value during FY 2005.

Section 191: Creates and assigns duties to a Task Force on Tax Policy in Nevada.

Section 192: Includes voter-approved levies that exceeded the \$3.64 combined tax rate cap in the revised \$3.14 cap.

Section 194: Provides that the amendatory provisions do not apply to any taxes, fees, or contracts in effect prior to the effective dates of those amendatory provisions.

Section 195: Establishes the effective dates of the various provisions of this act.