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## Collection Allowance

### 1. The Department of Taxation administers the following collection allowances:

- Sales Tax- 1.25% per NRS 372.370 (base 2% sales tax); NRS 374.375 (Local School Support Tax); NRS 377.040 (Basic/Supplemental City/County Relief Tax); NRS 377A.030 & NRS 377B.110 (County Option taxes)  
--Annual amount- \$28.7 million total (\$8.0 million general fund portion)
- Cigarette Excise Tax- 3% per NRS 370.370 (wholesalers discount for stamping reduced from 4 to 3 percent in 1991)  
--Annual amount- \$1.8 million total (\$1.3 million general fund portion)
- Liquor Excise Tax- 3% per NRS 369.370 (increased from 2% to 3% in 1961)  
--Annual amount- \$588 K (\$512 K general fund portion)

### 2. The Department offers sample options for the Committee's consideration. These options are considered feasible for implementation with some limitations:

- Higher rate if tax due is filed and paid early; lower rate if filed on time; no allowance if filed late. Example: 1 1/4%/0.75%/0% or 1%/0.5%/0%
- Pay one rate if filed by deadline; no allowance if late. Example 1 1/4%/0% or 1%/0%
- Pay higher rate if filed electronically, on-line (presumes capability in-place); lower rate if filed by mail by deadline; no allowance if filed late. Example:  
1 1/4%/0.75%/0% or 1%/0.5%/0%
- Pay according to one of the previous options but place a ceiling on the allowance amount.  
Example: Use a percentage, not to exceed \$10,000 or \$7,500
  - a) If 1 then: \$10,000/\$5,000/0
  - b) If 2 then: \$10,000/0 or \$7,500/0
  - c) If 3 then: \$10,000/\$7,500 or \$5,000/0
- Assumes that application would look only to a monthly basis; in other words if taxpayer pays the current month early/on-time he gets an allowance, even if he is delinquent in prior months.

### 3. Reasons for Departments determination of feasibility include IT capability, current and future; contracts and relationship with lockbox; and work processes for handling and processing mail.

- Department currently processes 1.0 to 1.5 million filings per year. In order to be time sensitive the Department must handle, retain and archive (image) applicable envelopes. Depending

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upon broadening of tax base the filings could go to almost 4.0 million filings per year (worst case); a quadrupling of handling.

- Department currently accomplishes special handling for late filings for mail and lockbox so the process would not have to change substantially.
- Suggested implementation timeframe. Due to implementation of other anticipated taxation requirements, consider a phased-in approach. For July 1, 2003 leave status quo. For July 1, 2004 implement mail and lockbox on-time rate and no allowance if late. For on-line filing to include three different rates, implement on January 1, 2005 recognizing that new IT, as provided, would allow full implementation of allowance provisions by that date.
- Rates and threshold amounts, if considered is a policy decision. The Department has presented sample information. Attachment 1 shows a graphic representation of the range of tax amounts and collections allowances as currently administered.

4. Other issues to discuss: should threshold amounts or ceiling be statutory or left to regulation. There are problem areas that require exception processing and special consideration, handling and IT treatment; i.e. a taxpayer pays on time but then the check bounces; the taxpayer self reported, retained and collected, collection allowance which now must become a charge to the taxpayer and an additional amount owed.

**Collection Allowance Comparison for Sales Tax only for  
Fiscal 2002**

<b>Taxable Sales Range</b>	<b>Filing Count</b>	<b>Collection Allowance</b>
\$0.00 Dead Heads	34,510	\$0
\$0 To \$5,000	27,199	\$259,321
\$5,000 To \$10,000	12,541	\$302,368
\$10,000 To \$25,000	12,820	\$882,087
\$25,000 To \$50,000	8,799	\$1,241,725
\$50,000 To \$100,000	6,077	\$1,698,996
\$100,000 To \$250,000	4,074	\$2,937,416
\$250,000 To \$500,000	1,828	\$2,632,730
\$500,000 To \$1,000,000	1,001	\$2,992,753
\$1,000,000 To \$5,000,000	686	\$9,019,650
\$5,000,000 To \$10,000,000	111	\$3,604,730
\$10,000,000 To \$25,000,000	33	\$1,962,828
\$25,000,000 To \$50,000,000	7	\$621,692
\$50,000,000 To \$100,000,000	2	\$367,893
		<b>\$28,524,189</b>

**Total Sales Tax Accounts for Fiscal 2002: 54,608**

**Collection Allowance by Filing Status for Fiscal 2002**

<b>Filing Status</b>	<b>Filing Count</b>	<b>Collection Allowance</b>
Late No Delinquency	13,358	\$211,732
Late with Delinquency	31,052	\$296,121
Timely Before Due Date	83,208	\$12,701,933
Timely On Due Date	64,198	\$11,249,327
Unclassified	28,839	\$4,332,440