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State of Nevada  
DEPARTMENT OF TAXATION

**DEPARTMENT  
OVERVIEW**

February 13, 2003

Kenny C. Guinn  
Governor

Barbara Smith Campbell  
Chair, NV Tax Commission

Charles E. Chinnock  
Executive Director



KENNY C. GUINN  
Governor

CHARLES E. CHINNOCK  
Executive Director

**STATE OF NEVADA  
DEPARTMENT OF TAXATION**

1550 E. College Parkway  
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Carson City, Nevada 89706-7937

Phone: (775) 687-4820 • Fax: (775) 687-5981

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**LAS VEGAS OFFICE**

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Suite 1300  
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4600 Kietzke Lane  
Building O, Suite 263  
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February 13, 2003

The Honorable Michael McGinness  
Chairman Senate Taxation  
401 South Carson Street  
Carson City, Nevada 89701

The Honorable David R. Parks  
Chairman Assembly Taxation  
401 South Carson Street  
Carson City, Nevada 89701

**Chairs and Committee Members:**

On behalf of the Nevada Tax Commission and the men and women of the Department of Taxation, we are submitting for your consideration an overview of the Department of Taxation.

The overview includes information that demonstrates the Department's present responsibilities, performance and accomplishments.

The second portion of the overview includes information regarding new taxes, new positions and information technology requirements. Summary sheets for each new tax are also provided.

Respectfully submitted,

A handwritten signature in cursive script that reads "Barbara Smith Campbell".

Barbara Smith Campbell  
Chair, Nevada Tax Commission

A handwritten signature in cursive script that reads "Charles E. Chinnock".

Charles E. Chinnock  
Executive Director

## **DEPARTMENT OF TAXATION**

### **MISSION**

Provide fair, efficient and effective administration of tax programs for the State of Nevada in accordance with applicable statutes, regulations and policies. Serve the taxpayers, State and local government entities, and empower and recognize Department employees.

### **PHILOSOPHY**

Dedicated to the highest standards of professionalism and ethical conduct; committed to consistent, impartial and courteous service and treatment. Providing resources, training and support to the men and women of the Department, and fostering initiative, creativity and effective performance.

### **GOALS**

- **Provide quality service to the taxpayers of Nevada**
  - Provide the "taxpayer bill of rights and responsibilities" publication to taxpayers registering with or contacting the Department
  - Collect revenue and process returns effectively and efficiently
  - Offer industry specific presentations to taxpayers & interested parties on tax topics pertaining to their businesses
  - Conduct a taxpayer survey to insure the Department is responsive to needs of taxpayers
  - Enforce employee standards on response time to telephone & written inquiries
- **Improve voluntary compliance by taxpayers**
  - Educate new businesses on various taxes with emphasis on application, exemptions, deadlines, and how to complete forms properly upon registration.
  - Inform taxpayers on the sources and distribution of tax dollars, utilizing quarterly Tax Notes publication and/or Website.

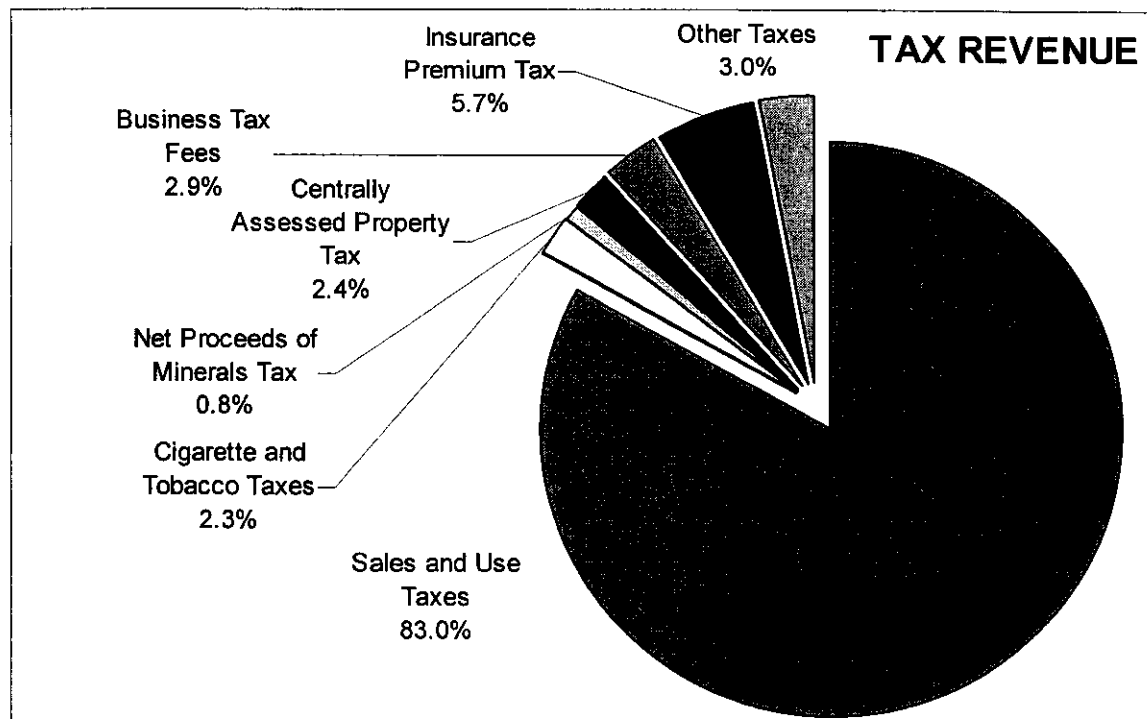
## **GOALS CONTINUED**

- **Enforce tax compliance**
  - Refine fair audit selection criteria
  - Evaluate ACES work queue program to insure optimum performance
  - Train revenue officers and field personnel to identify non filers, under reporters and unregistered businesses
  - Consider amnesty programs
- **Develop a capable, empowered and accountable workforce**
  - Implement an orientation program for employees
  - Standardize recruitment practices
  - Insure by internal review functional and first rate processes and programs
  - Provide recognition and awards for innovative ideas, creativity, and exceptional service
  - Provide training to employees on compliance programs, computer skills, etc
  - Foster open and honest communication, expectations, current organizational developments, etc.
- **Improve tax administration through the use of new technologies**
  - Correct and/or replace ACES and provide a strategic plan for development of a replacement Integrated Tax System.
  - Train employees on new hardware and software
  - Convert all excise tax, distribution and database programs to new hardware and software
  - Develop long term plan for Department's PC network based infrastructure and replacement schedule
  - Prepare long term needs assessment for technology applications and training including: electronic funds transfer, telephone access information system, and optical imaging system
  - Establish committees and working groups to identify specific, general, immediate and future changes and requirements for technology

## DEPARTMENT OF TAXATION - REVENUE

The Department of Taxation is directly responsible for the collection of revenue from over 17 different taxes and fees. Based upon the tax type and collection level, taxes are collected either monthly or quarterly.

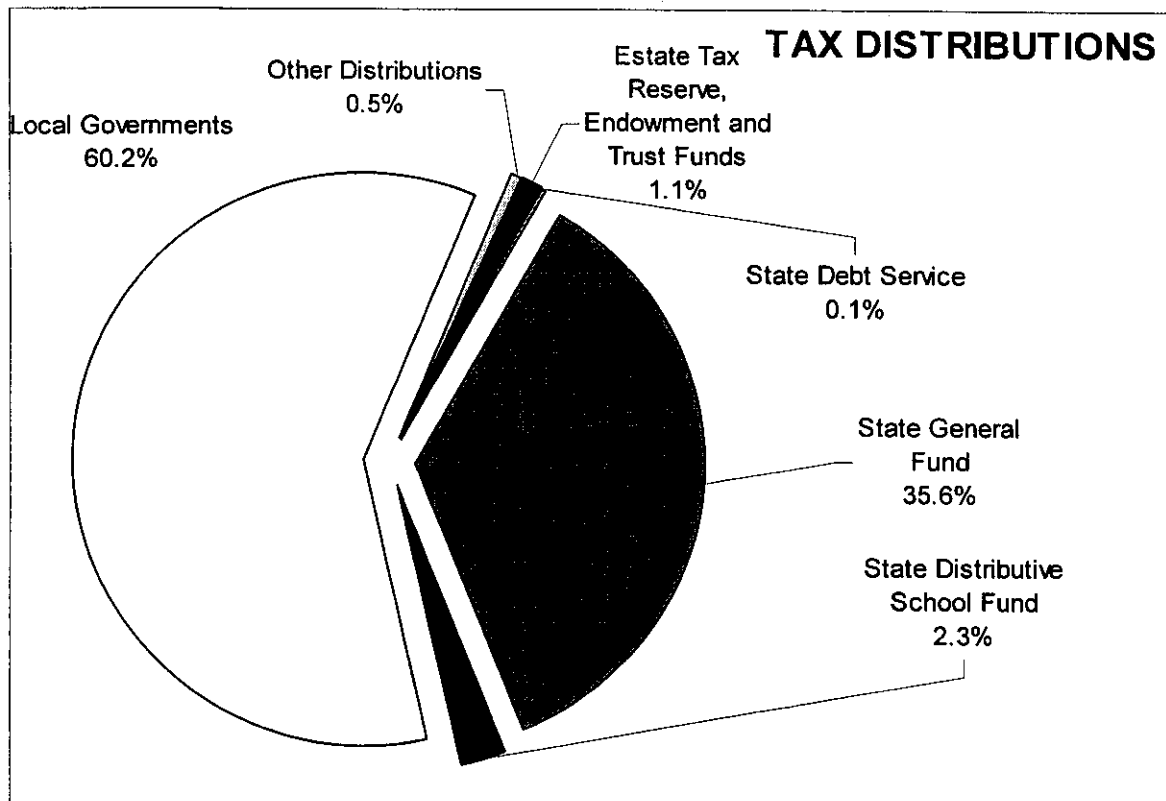
Revenues	2000 - 2001	2001 - 2002	Increase/ (Decrease)	Percent Change
Sales and Use Taxes	\$ 633,574,193	\$ 642,726,771	\$ 9,152,578	1.44%
Local School Support Tax	705,352,676	713,622,440	8,269,764	1.17%
City/County Relief Tax	705,405,583	713,640,574	8,234,991	1.17%
Local Option Taxes	215,032,084	218,298,280	3,266,196	1.52%
Intoxicating Beverage Taxes	18,877,492	19,120,591	243,099	1.29%
Cigarette Tax	61,632,146	59,029,783	(2,602,363)	-4.22%
Other Tobacco Products	5,602,823	5,557,893	(44,930)	-0.80%
Special Drug Manufacturing Tax	2,692	-	(2,692)	0.00%
Estate Tax	42,126,902	31,794,795	(10,332,107)	-24.53%
Lodging Tax	13,050,670	11,268,582	(1,782,088)	-13.66%
Controlled Substance Tax	1,650	1,200	(450)	-27.27%
Net Proceeds of Minerals Tax	29,675,250	21,492,962	(8,182,288)	-27.57%
Centrally Assessed Property Tax	64,488,361	65,545,858	1,057,497	1.64%
Business Tax and Fees	77,793,795	79,075,496	1,281,701	1.65%
Insurance Premium Tax	146,917,892	156,347,356	9,429,464	6.42%
Tire Tax	1,397,269	1,390,414	(6,855)	-0.49%
Government Services Fee	8,288,217	19,662,998	11,374,781	137.24%
<b>Total</b>	<b>\$ 2,729,219,695</b>	<b>\$ 2,758,575,993</b>	<b>\$ 29,356,298</b>	<b>1.08%</b>



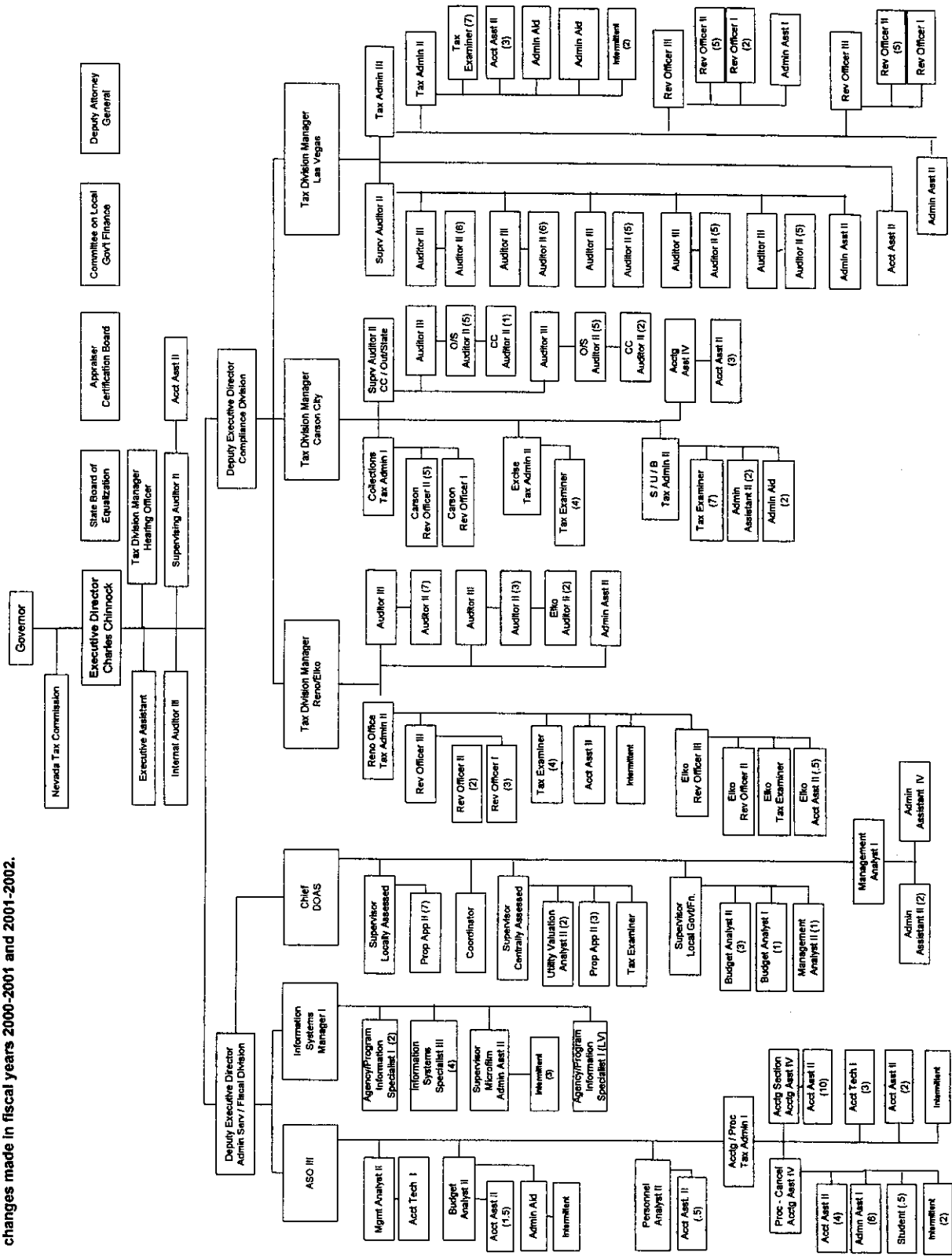
## DEPARTMENT OF TAXATION - DISTRIBUTIONS

Tax distributions are made each month. Quarterly distributions are approximately 15% greater than monthly distributions.

Distributions	2000 - 2001	2001 - 2002	Increase/ (Decrease)	Percent Change
State General Fund	\$ 958,482,722	\$ 982,969,773	\$ 24,487,051	2.55%
State Distributive School Fund	64,081,112	63,841,496	(239,616)	-0.37%
Local Governments	1,644,154,149	1,661,624,753	17,470,604	1.06%
Other Distributions	16,174,453	14,356,536	(1,817,917)	-11.24%
Estate Tax Reserve, Endowment and Trust Funds	41,999,897	31,667,824	(10,332,073)	-24.60%
State Debt Service Fund	4,327,362	4,115,611	(211,751)	-4.89%
<b>Total</b>	<b>\$ 2,729,219,695</b>	<b>\$ 2,758,575,993</b>	<b>\$ 29,356,298</b>	<b>1.08%</b>



The organizational chart reflects reengineering and changes made in fiscal years 2000-2001 and 2001-2002.





The Department has 224.02 full time equivalent employees and 10 intermittent positions statewide. Salary and benefit costs represent approximately 80% of the Department's budget.

#### DEPARTMENT POSITIONS BY DISTRICT

SECTIONS	CARSON CITY	RENO	ELKO	LAS VEGAS	TOTAL
EXEC	7				7
ADMIN	37.51				37.51
IS	8			1	9
REVENUE	25	12	3.51	31	71.51
AUDIT	9	14	2	35	60
LOCALLY ASSESSED	14				14
CENTRALLY ASSESSED	7				7
LOCAL GOVERNMENT	6				6
OUT OF STATE AUDITORS*	12				12
<b>TOTAL</b>	<b>125.51</b>	<b>26</b>	<b>5.51</b>	<b>67</b>	<b>224.02</b>
Intermittents	7	1		2	10

\*Includes one Supervising Auditor and one Auditor III position responsible for supervising the Out of State Auditors from the Carson City Office.

#### VACANCY STATUS

Priority 1 positions were authorized for hiring, December 2002.

TITLE	PRIORITY	LOCATION
DEP EXEC DIR	1	CC
TAX EXAMINER	1	CC
TAX EXAMINER	1	CC
REV OFCR II	1	CC
ACCTG ASST IV	1	CC
REV OFCR II	1	LV
AUDITOR II	1	LV
AUDITOR II	1	LV
AUDITOR II	1	LV
AUDITOR II	1	ELKO
TAX EXAMINER	1	ELKO

TITLE	PRIORITY	LOCATION
AUDITOR II	2	CC - OOS
PROP APPR II	2	CC
PROP APPR II	2	CC
COORD DOAS	2	CC
MGMT ANALYST II	2	CC
ACCTG ASST II	2	CC
ACCTG ASST II	2	CC
ADMIN AID (INTERM)	2	CC
ADMIN AID (INTERM)	2	LV
ACCT ASST II (PT)	2	ELKO
DOIT Network Tech	2	CC

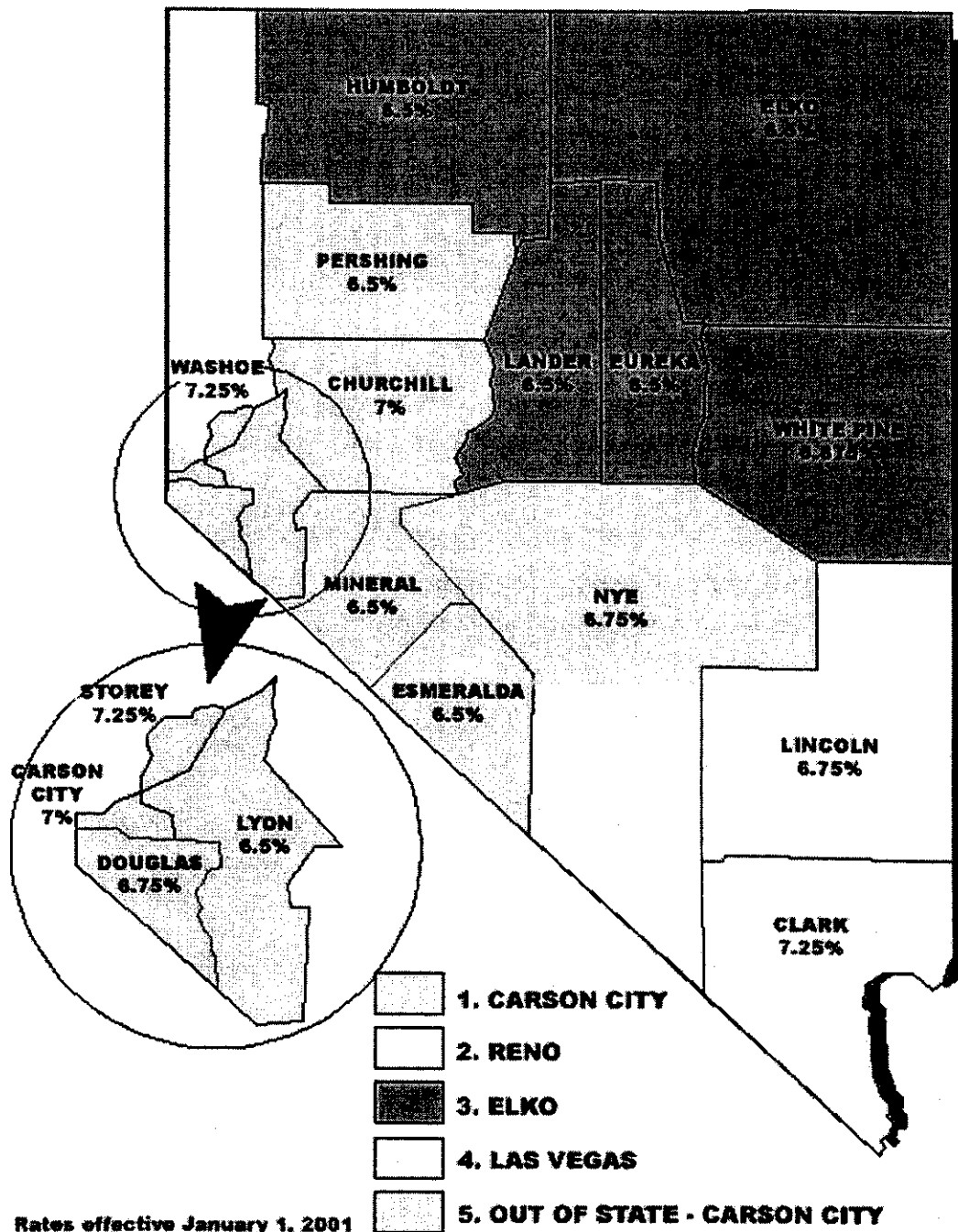
Nevada Department of Taxation  
Governor Recommends  
Budget Account 2361 Summary  
Fiscal Year 2004

		FY 2004									
		FY 02 ACTUAL	FY 03 W/P	Base	Inflation adj. M-100	Fringe Benefit M-300	3% reduc. E-600	Replacement Equip. E-710	New Equip. E-720	Special Projects E-850	Total
REVENUE SOURCE											
2501	GENERAL FUND	13,402,790	14,577,170	15,204,338	85,430	525,172	(65,256)	18,445	6,590	307,305	16,082,024
2508	HIGHWAY FUND REVERSION	(52,229)									
2507	HIGHWAY FUND	429,048									
2510	REVERSION TO 101/201	(1,665,833)									
2511	BAL FWD FROM PREV YEAR	2,629,173	1,021,635								
2512	BAL FWD TO NEW YEAR	(1,021,635)									
2537	CORRECTION PR YR REV										
2574	SALARY ADJUSTMENT	280,000									
3500	FEDERAL RECEIPTS	12,740									
3729	AUDIT FEES	37,957	45,614	37,957	3,334						41,281
3750	CIGARETTE ADMIN	398,895	369,582	428,721							428,721
3751	SPECIAL GAS ADMIN	210,107									
3752	GAS TAX ADMIN	130,051									
3753	ESTATE TAX ADMIN	126,971	117,345	173,440							173,440
3755	BAD CHECK CHARGES	23,351	22,674	23,351							23,351
3765	JUSTICE COURT FEES	98,812	75,845	98,812							98,812
4254	MISC REVENUE	14,339	5,790	14,339							14,339
4673	TRANSFER FROM DEP	58,059		6,989							6,989
	TOTAL REVENUE	15,113,596	16,235,655	15,987,947	88,764	525,172	(65,256)	18,445	6,590	307,305	16,868,967
EXPENDITURES											
1	PERSONNEL SERVICES	11,770,567	11,460,498	12,793,369		525,172	36,314			248,910	13,604,765
2	OUT-OF-STATE TRAVEL	5,828	2,130	5,828							5,828
3	IN-STATE TRAVEL	177,502	176,109	177,200							177,200
4	OPERATING EXPENSES	1,469,615	1,645,584	1,496,781	8,665					57,395	1,562,841
5	EQUIPMENT								6,590		6,590
10	OUT-OF-STATE TR AUDIT	67,952	85,158	67,952							67,952
21	DEMOGRAPHIC SURVEYS	161,186	158,359	161,186							161,186
25	CIGARETTE STAMPS	103,141	51,980	103,141							103,141
26	INFO. SERVICES	1,239,394	2,182,724	1,113,530	76,886		(101,570)	18,445			1,107,291
30	TRAINING	20,419	17,832	20,419							20,419
31	COUNTY ASSESSOR/APPRaiser TR.	10,575		10,575							10,575
87	PURCHASING ASSESSMENT	3,921	4,101	4,101	357						4,458
88	STATE COST RECOVERY	478	478	478	(478)						
89	AG COST ALLOCATION	70,289	33,387	33,387	3,334						38,721
90	RESERVE FOR REVERSION										
92	FUEL TAX	12,740	437,315								
	TOTAL EXPENDITURES	15,113,597	16,235,655	15,987,947	88,764	525,172	(65,256)	18,445	6,590	307,305	16,868,967

Nevada Department of Taxation  
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FY 2006										
		FY 02 ACTUAL	FY 03 W/P	Base	inflation adj. M-100	Fringe Benefit M-300	3% reduc. E-600	Replacement Equip. E-710	New Equip. E-720	Special Projects E-850
REVENUE SOURCE										
2501	GENERAL FUND	13,402,790	14,577,170	15,362,286	134,661	636,020	(49,226)	249,121	-	321,370
2506	HIGHWAY FUND REVERSION	(52,229)								
2507	HIGHWAY FUND	429,048		-	-					
2510	REVERSION TO 101/201	(1,665,833)								
2511	BAL FWD FROM PREV YEAR	2,629,173	1,021,635							
2512	BAL FWD TO NEW YEAR	(1,021,635)								
2537	CORRECTION PR YR REV									
2574	SALARY ADJUSTMENT	280,000								
3500	FEDERAL RECEIPTS	12,740		-	-					
3729	AUDIT FEES	37,957	45,614	37,957	3,583					
3750	CIGARETTE ADMIN	399,885	369,582	428,721	-					
3751	SPECIAL GAS ADMIN	210,107		-	-					
3752	GAS TAX ADMIN	130,051		-	-					
3753	ESTATE TAX ADMIN	126,971	117,345	173,440	-					
3755	BAD CHECK CHARGES	23,351	22,674	23,351						
3765	JUSTICE COURT FEES	98,812	75,845	98,812						
4254	MISC REVENUE	14,339	5,790	14,339						
4873	TRANSFER FROM DEP	58,059		6,989	-					
	TOTAL REVENUE	15,113,596	16,235,655	16,145,895	138,244	636,020	(49,226)	249,121	-	321,370
EXPENDITURES										
1	PERSONNEL SERVICES	11,770,567	11,460,498	12,944,386	-	636,020	52,344			262,833
2	OUT-OF-STATE TRAVEL	5,828	2,130	5,828						5,828
3	IN-STATE TRAVEL	177,502	176,109	177,200	-					177,200
4	OPERATING EXPENSES	1,469,615	1,645,584	1,503,712	9,768					58,537
5	EQUIPMENT									-
10	OUT-OF-STATE TR AVUIT	87,952	85,158	87,952						87,952
21	DEMOGRAPHIC SURVEYS	161,186	159,359	161,186						161,186
25	CIGARETTE STAMPS	103,141	51,980	103,141						103,141
26	INFO. SERVICES	1,239,384	2,182,724	1,113,530	125,014		(101,570)	249,121		1,386,095
30	TRAINING	20,419	17,832	20,419						20,419
31	COUNTY ASSESSOR/APPRaiser TR.	10,575		10,575						
87	PURCHASING ASSESSMENT	3,921	4,101	4,101	357					10,575
88	STATE COST RECOVERY	478	478	478	(478)					4,458
89	AG COST ALLOCATION	70,289	33,387	33,387	3,583					-
90	RESERVE FOR REVERSION									38,970
	FUEL TAX	12,740		-	-					
92	TOTAL EXPENDITURES	15,113,597	16,235,655	16,145,895	138,244	636,020	(49,226)	249,121		321,370
										17,441,424

The Department is organized with three district offices – Reno, Las Vegas and Carson City. Elko is a satellite office of Reno.



Main District Office  
1550 East College Parkway  
Carson City, Nevada 89706

Reno District Office  
4600 Kietzke Lane  
Building O Suite 263  
Reno, Nevada 89502

Las Vegas District Office  
Grant Sawyer Office Building  
555 East Washington Ave. Suite 1300  
Las Vegas, Nevada 89101

Elko Satellite Office  
850 Elm Street  
Elko, Nevada 89801

## DEPARTMENT OF TAXATION

### EXECUTIVE SECTION

The Executive Section provides critical interface with the Nevada Tax Commission. The Executive Director is the chief administrative officer of the Department with two Deputy Executive Directors assisting. In accordance with NRS 360.120 the Nevada Tax Commission is head of the Department. One Deputy Director has oversight of the Compliance Division and District Offices; and the other has oversight of Administrative Services, Information Technology and the Division of Assessment Standards (DOAS). DOAS provides key interface to the State Board of Equalization, the Committee on Local Government Finance and the Appraiser Certification Board. Also under the auspices of the Executive Section is the Department's hearing officer, alternate hearing officer, internal auditor, and a supervising auditor II for purposes of standardization and coordination of caseload. Two administrative staff also work in this division.

### ADMINISTRATIVE SERVICES/FISCAL DIVISION

The Administrative Services/Fiscal Division is responsible for providing support of all administrative, financial and fiscal activities. The Division is comprised of the following sections or areas: Budget, Tax Distribution and Statistics, Tax Accounting/Processing/Cancellations, Personnel and Support Services/Mail Room.

The Budget section has the fiscal responsibility for development, justification, implementation and maintenance of the Department's approximately \$16 million budget.

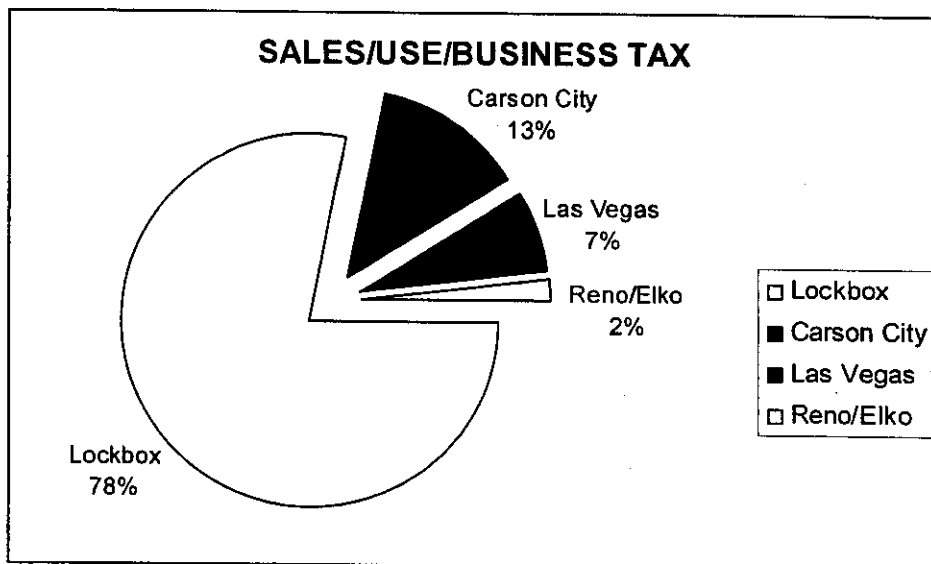
The Tax Distribution and Statistics section is responsible for the reconciliation and distribution of approximately \$3 billion the Department collects in sales, use and business taxes, excise taxes, centrally assessed property taxes and the net proceeds of minerals tax; distributed to the State general fund and local government entities. The section prepares and reports statistics to local governments, financial institutions and interested parties.

### ACCOUNTS BY TAX REGISTRATION

FISCAL YEAR REPORT: NUMBER OF ACTIVE TAXATION ACCOUNTS BY TAX TYPE					
Fiscal Year Ending	Accounts by Tax Registration		Total of All Account Types	Numeric Change in Accounts	Percent of Change in Accounts
	Sales/Use Tax	Business Tax			
June 30, 2002	64,090	80,783	144,873	8,999	6.62%
June 30, 2001	62,042	73,832	135,874	6,219	4.80%
June 30, 2000	60,540	69,115	129,655	5,140	4.13%
June 30, 1999	59,256	65,259	124,515	4,723	3.94%
June 30, 1998	57,993	61,799	119,792	6,307	5.56%
June 30, 1997	56,080	57,405	113,485	5,644	5.23%

The Tax Accounting/Processing/Cancellations section is responsible for depositing, processing and recording revenue collected by the Department for over 60,000 sales and use tax accounts and over 80,000 business tax accounts; and depositing and recording all excise taxes. The section processes new and revised account registrations, closes accounts, processes refunds of overpayments and cash bond refunds, and processes adjustments to taxpayer accounts.

### REVENUE COLLECTIONS BY DISTRICT AND LOCKBOX



Fiscal year 2002 Sales/Use/Business Tax collections were \$2.4 billion. An additional \$390 million in excise taxes were collected by the Carson City district office.

The Personnel section is responsible for processing personnel and payroll documents for 224.02 employees and 10 intermittent positions. The section develops job specifications, handles recruitments and general management of the personnel function to ensure fair and consistent hiring practices and adherence to the Rules for State Personnel Administration.

The Support Services/Mailroom section is responsible for the mail services of the entire Department, with additional responsibility for facilities management, supplies, and maintenance of equipment.

## INFORMATION SERVICES DIVISION

With the creation of the IS Division within the Department of Taxation effective July 1, 2001 and the decentralization of DoIT assigned programmers, gains have been made which might not have been possible under the previous organizational structure. This new structure allows for a closer collaboration and integration of technical and business goals. The programmers have been able to focus on the goals of the Department in a way not previously achievable under the "two masters" scenario. Absorption into the Taxation culture has led to greater than expected benefits and technical improvements. Examples of this new division's accomplishments follow.

**Organizational buy-in.** Team members have been able to demonstrate the ability to implement applications targeted at the specific needs of the individual sections within the Department. This display of knowledge and ability has given management the confidence necessary to support our staff in its desire to continue this progress.

**ACES and IT planning committees.** Forming these two committees has allowed the IS Division and the members of the Department to join together to discuss challenges currently being faced, and what part IS can play in working towards a solution. This level of cooperation has led to a more fundamental understanding of day to day business practices on the part of the IS staff. Results of this understanding have led to the creation of applications which have enhanced the gathering of data from the ACES application, as well as automation of some data input.

**Implementing Imaging contract and technology.** The programming staff has played a crucial part in the design and development of the Imaging project. It helped take a canned application and tune it for the business practices of the Department. Additionally, it wrote the application that takes data gathered from the imaging application and automatically posts it into ACES. Part of this project involves the ability to file tax returns, and make payments on-line. Payment information will be automatically input into the posting applications. This will allow paying taxes without coming into the office which will decrease the work load on Taxation employees.

**LAN/WAN Upgrades.** Staff recently upgraded personal computers in all District offices. They also migrated the network operating system from Novell to Microsoft Windows 2000 Department wide. This project was accomplished successfully over a three day weekend. This migration accomplished many things, chief among them being the standardization and upgrading of software running on the Department WAN.

**Implemented Security Measures.** Along with the migration to MS Windows 2000 came the ability to set and enforce security policies and procedures on each workstation from a central location. These P&Ps allow greater control over who has access to what information on the LAN, and the ability to quickly make global changes should the need arise.

**Maintain the Website.** One of the daily tasks of the IS Staff is the maintenance of the Department's website, which involves applying operating system service packs, security patches, and updating tax information. We have one primary staff member tasked with these responsibilities, as well as two others trained should the primary person not be available.

**Development of Local Government On-Line filing.** The programming staff is currently working on an application which will allow access to tax information by local governments via the Internet. Further, this program will provide enhanced electronic budget oversight and approval.

**Responsive Technical Support.** To insure optimum effectiveness and efficiency a new procedure was implemented which tracks a technical support incident through completion. Follow up surveys indicate enhanced effectiveness and efficiency of IS staff.

## **DIVISION OF ASSESSMENT STANDARDS**

The Division of Assessment Standards has three sections: Locally Assessed Property, Centrally Assessed Property and Local Government Finance. This Division also provides direct staff and administrative support to the State Board of Equalization, The Committee on Local Government Finance and the Appraiser Certification Board.

The Locally Assessed Section monitors the quality of assessments made by county assessors. Staff also verifies land and improvement factors, sets values and guidelines for agricultural land, mobile homes and for personal property.

The Centrally Assessed Section determines the value of all interstate and intercounty property located within the state for purposes of taxation, and then collects and distributes the taxes. This section also determines the valuation for all real and personal property associated with mines located within the state. Finally, this section administers the Net Proceeds of Minerals tax.

The Local Government Finance Section provides oversight of the financial administration of nearly 290 local governments and taxing jurisdictions. Staff reviews and approves budgets, provides tax rate regulation, provides oversight of debt management for local jurisdictions, and evaluates financing proposals of local governments.



# STATEWIDE

## Nevada Department of Taxation

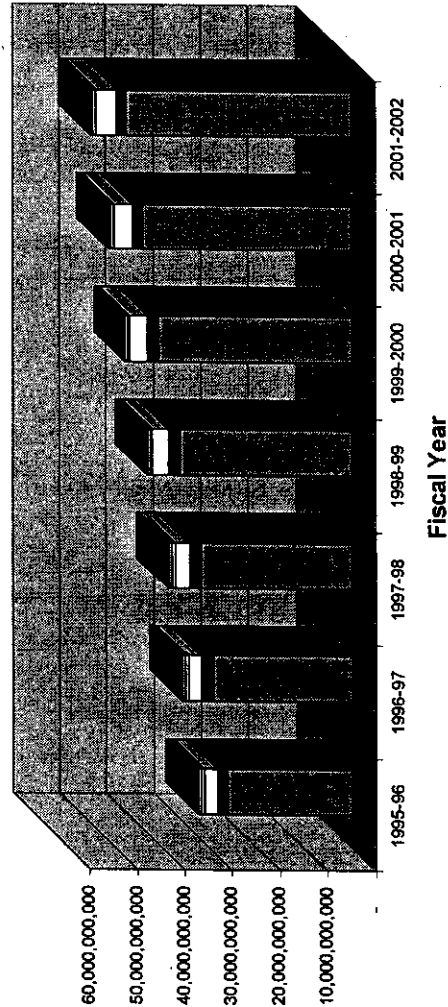
### Total Assessed Value by Type of Property

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	from 95-96	Annual Growth Rate from 00-01
Land & Improvements	26,167,144,814	29,354,241,493	31,673,120,558	35,956,330,656	40,549,475,066	43,810,322,211	47,216,440,495	8.80%	7.77%
Centrally Assessed	2,115,407,479	2,248,979,196	2,349,475,351	2,394,410,444	2,300,152,035	2,274,201,258	2,311,766,126	1.25%	1.65%
Local Personal Property	2,563,158,869	2,753,683,060	3,024,387,094	3,349,869,786	3,750,870,138	4,097,447,130	4,417,412,273	8.09%	7.81%
Mining Personal Property	659,635,920	735,112,780	779,220,130	652,990,584	414,685,065	384,520,012	583,014,010	-1.75%	51.62%
Net Proceeds	786,843,446	627,687,862	635,532,749	687,985,198	587,254,060	601,362,811	438,013,468	-8.03%	-27.16%
Private Carlines	3,971,440	4,006,395	4,322,575	4,102,549	4,171,158	4,217,420	4,260,337	1.01%	1.02%
Total	32,296,161,968	35,723,710,786	38,468,058,457	43,045,689,217	47,606,607,522	51,172,070,842	54,970,906,709	7.89%	7.42%

### Percentage of Total Assessed Value by Type of Property

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	Average
Land & Improvements	81.0225%	82.1702%	82.3404%	83.5306%	85.1761%	85.6137%	85.8935%	83.7%
Centrally Assessed	6.5500%	6.2955%	6.1079%	5.5625%	4.8316%	4.4442%	4.2054%	5.4%
Local Personal Property	7.9364%	7.7083%	7.8625%	7.7821%	7.8789%	8.0072%	8.0359%	7.9%
Mining Personal Property	2.0425%	2.0578%	2.0257%	1.5170%	0.8711%	0.7514%	1.0606%	1.5%
Net Proceeds	2.4363%	1.7571%	1.6522%	1.5983%	1.2336%	1.1752%	0.7968%	1.5%
Private Carlines	0.0123%	0.0112%	0.0112%	0.0095%	0.0089%	0.0082%	0.0078%	0.0%
Total	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%

### Total Assessed Value by Type of Property Statewide



# Nevada Department of Taxation

## STATEWIDE

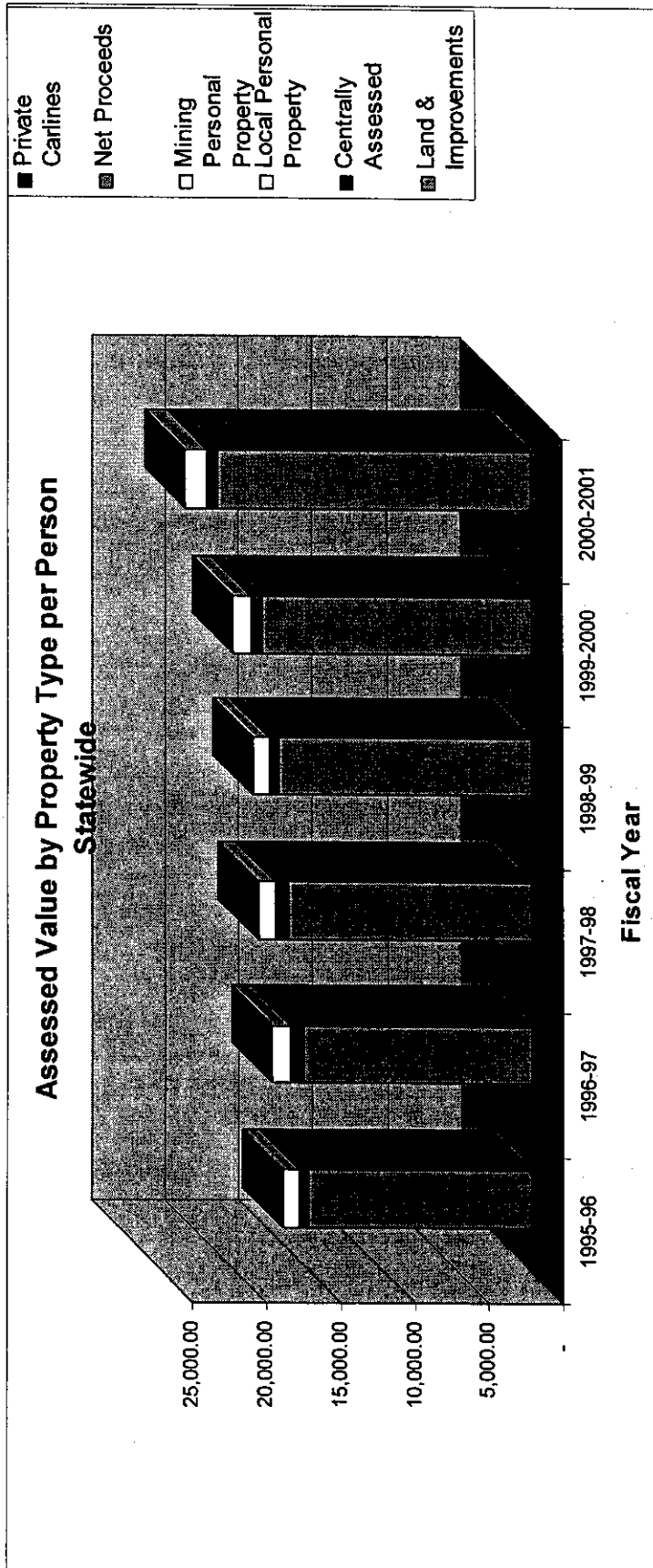
### Assessed Value per Person by Property Type

### Annual Growth Rate

AV Per Person	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-2001	from 95-96	from 99-00
Population	1,579,150	1,684,570	1,779,850	1,855,790	1,967,650	2,066,831	4.59%	5.04%
Land & Improvements	15,119.47	15,533.43	16,492.54	17,067.19	18,273.74	21,196.86	5.79%	16.00%
Centrally Assessed	1,259.18	1,255.76	1,263.58	1,266.02	1,216.89	1,100.33	-2.22%	-9.58%
Local Personal Property	1,534.40	1,521.55	1,547.14	1,629.70	1,702.47	1,982.48	4.36%	16.45%
Mining Personal Property	324.37	391.58	413.02	419.89	331.86	186.04	-8.85%	-43.94%
Net Proceeds	629.72	467.09	352.66	342.46	349.65	290.96	-12.07%	-16.79%
Private Carlines	2.36	2.36	2.25	2.33	2.08	2.04	-2.41%	-2.13%
Total	18,869.50	19,171.75	20,071.19	20,727.59	21,876.70	24,758.71	4.63%	13.17%

### Assessed Value by Property Type per Person

#### Statewide



## COMPLIANCE DIVISION

The Compliance Division is comprised of the Revenue Section and the Audit Section. The Division is responsible for taxpayer information, education and assistance; tax administration and revenue collection; and taxpayer audit. The Division is tasked with meeting the intent of the law regarding NRS 360.291, the Taxpayer's Bill of Rights and NRS 360.095, to insure fairness and uniformity in the tax administration process. The Division also administers an out-of-state audit program, the completion of fiscal notes on bill drafts each legislative session, provides expert testimony on litigated cases in front of the Nevada Tax Commission, and develops and embodies administrative code, conforming regulations to statutory authority. Recently the Division, through the Nevada Tax Commission, contracted with an outside debt collector in collecting outstanding inactive account receivables. All Districts have a Compliance Division with the Carson City District office overseeing the out-of-state audit function.

The Revenue Section is responsible for the collection of sales/use/business tax and taxpayer information and education. In addition to providing taxpayer information and assistance, revenue officers performs all Department compliance, enforcement and investigative functions, other than auditing, from initial contact of un-registered businesses through closure of non-compliant businesses. Other primary responsibilities are to review and investigate invoices on alcohol products to ensure they are properly purchased from a licensed wholesaler, and that cigarette packages are stamped with Nevada cigarette stamps. Statutory tools include payment plans, liens, levies, seizures and administrative hearings.

### REVENUE OFFICER COLLECTIONS

REVENUE OFFICER COLLECTIONS	
Fiscal Year	Amount of Collections
1996-97	\$11,789,449
1997-98	\$17,517,600
1998-99	\$17,439,296
1999-00	\$21,274,688
2000-01	\$20,170,428
2001-02	\$27,892,357

The Tax Examiners are responsible for taxpayer assistance in registration; completion of forms including applications and tax returns; and interpreting statutes and regulations for sales/use and business tax. The section determines the taxability of various sales transactions and responds to requests for information and questions regarding specific taxability for businesses. The section assists the taxpayer by phone or in person.

The Excise Tax Examiners are responsible for the administration of all excise taxes including: Liquor, Cigarette, Other Tobacco Products, Controlled Substance, Governmental Service Fee, Estate, Insurance Premium and Tire Surcharge Fee. This section also oversees the abatement and deferral incentive programs approved by the Commission on Economic Development.

The Audit Section is responsible for ensuring taxpayers are in compliance with the reporting requirements for the various taxes that the Department administers. The taxes include sales/use and business tax; the abatement/deferral programs for sales/use and business taxes; and excise taxes including cigarette, other tobacco products, tire, insurance premium, liquor and net proceeds of minerals. Taxpayer audits are conducted throughout Nevada, the other forty-nine states and Canada through our diversified audit program. The section also assists with taxpayer information and education by participating in various seminars and workshops.

### NET COLLECTIONS FROM AUDIT BILLINGS

The following is a comparison of statistics describing Revenue and Audit Sales and Use Tax activity for the last six fiscal years.			
FISCAL YEAR	NUMBER OF AUDITS	NET COLLECTIONS FROM AUDIT BILLINGS	
1996-97	2,647	23,119,882	
1997-98	2,414	17,722,977	
1998-99	2,429	20,694,464	
1999-00	1,768	20,671,651	
2000-01	1,413	10,023,184	
2001-02	2,229	11,126,994	
FISCAL YEAR	GROSS SALES AND USE TAXES	COLLECTIONS AS % OF GROSS TAX	AUDIT COVERAGE
1996-97	1,696,633,726	1.36%	5.46%
1997-98	1,771,935,898	1.00%	4.84%
1998-99	1,973,967,982	1.05%	4.78%
1999-00	2,144,719,866	0.96%	3.34%
2000-01	2,259,364,536	0.44%	2.56%
2001-02	2,288,288,064	0.49%	3.48%

# **DEPARTMENT OF TAXATION**

## **PART II**

### **PROPOSALS**

## INTOXICATING LIQUOR TAX ANALYSIS

<b>Title of the Tax:</b>	Intoxicating Liquor Excise Tax			
<b>Statutory Authority:</b>	NRS 369			
<b>Basis of the Tax:</b>	Tax on importing, storing, possessing or selling liquor in Nevada.			
<b>Procedure:</b>	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 <sup>th</sup> 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 <sup>th</sup> day of the month a 3% discount is given per NAC 269.014.			
<b>Rate:</b>	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
<b>Distribution:</b>	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.			
<b>Exemptions:</b>	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.			
<b>Yield:</b>	\$17 / \$18 million in additional revenue per fiscal year.			
<b>Department Requirements</b>				
<b>Existing Workload</b>	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.			
<b>Impact – New Workload</b>	Notification to wholesalers and retailers regarding the increase in tax rate.			
<b>Regulations</b>	No new regulations needed for implementation.			
<b>Resources – Costs, Equipment, Manpower, Space</b>	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. Additional staffing FY 2004: two revenue officers and one tax examiner shared with all excise taxes to insure compliance.			

	Staff - \$ 284,000 Operating/Support Costs - \$ 43,000 One time equipment/computers - \$23,000 Total Department Cost - \$ 350,000								
<b>Lead Time</b>	Implement the 1 <sup>st</sup> of the month.								
<b>Information Technology</b>	An Access database is maintained for returns of importers and wholesalers. The database needs to be updated to reflect new rates. The Department will need Information Technology for integration of billing, distribution and accounting. See Department IT Options, Section 8A & 8B.								
<b>Statute Changes</b>	<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 &amp; 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 to Alcohol and drug abuse fund</td><td>\$.15</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 to Alcohol and drug abuse fund	\$.15
	Will change to:								
\$1.40 per gal General Fund	\$3.22 per gal								
\$.50 per gal Consolidated tax distribution	\$.50 per gal								
\$.15 to Alcohol and drug abuse fund	\$.15								

## CIGARETTE TAX ANALYSIS

<b>Title of the Tax:</b>	Cigarette Excise Tax
<b>Statutory Authority:</b>	NRS 370
<b>Basis of the Tax:</b>	Tax on the sale of cigarettes in Nevada.
<b>Procedure:</b>	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 <sup>th</sup> 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 <sup>th</sup> .
<b>Rate:</b>	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 \$1.05 per pack of 20 cigarettes.
<b>Distribution:</b>	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.
<b>Exemptions:</b>	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.
<b>Yield:</b>	\$123/\$125 million in additional revenue per fiscal year.
<b>Department Requirements</b>	
<b>Existing Workload</b>	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.
<b>Impact – New Workload</b>	Notification to wholesalers and retailers regarding the increase in tax rate. Additional workload for compliance and enforcement.
<b>Regulations</b>	No new regulations needed for implementation.
<b>Resources – Costs, Equipment, Manpower, Space</b>	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. Additional staffing FY 2004: two revenue officers and one tax examiner shared with all excise taxes to insure compliance.



	Staff - \$ 284,000 Operating/Support Costs - \$ 43,000 One time equipment/computers - \$23,000 Total Department Cost - \$ 350,000
<b>Lead Time</b>	Implement the 1 <sup>st</sup> of the month.
<b>Information Technology</b>	An Access database is maintained for returns of wholesalers. The database needs to be updated to reflect new rates. The Department will need Information Technology for integration of billing, distribution and accounting. See Department IT Options, Section 8A & 8B.
<b>Statute Changes</b>	NRS 370.165 and NRS 370.350 will need to be updated to reflect the new rate. Consider levy of tax through interim procedures for transition of stamps, or include floor tax.

## PROPERTY TAX ANALYSIS

<b>Title of the Tax:</b>	Property Tax
<b>Statutory Authority:</b>	NRS 361.453 Limitation on total ad valorem tax levy.
<b>Basis of the Tax:</b>	Currently, the total ad valorem tax levy must not exceed \$3.64 per hundred of assessed value.
<b>Procedure:</b>	Establish an additional \$.15 state rate; change \$3.64 cap. Current state debt rate \$.15
<b>Rate:</b>	\$.15 additional per \$100 of assessed valuation of all property.
<b>Distribution:</b>	State General Fund.
<b>Exemptions:</b>	No change to exemptions currently in existence.
<b>Yield:</b>	\$100 million in additional revenue per fiscal year.
<b>Department Requirements</b>	
<b>Existing Workload</b>	Does not affect the existing workload of the Department or at the county level as it is a rate change only.
<b>Impact – New Workload</b>	Minimal impact. Billing programs at the Department and county levels would have to be updated to reflect the new rate.
<b>Regulations</b>	No new regulations are needed for implementation.
<b>Resources – Costs, Equipment, Manpower, Space</b>	No new resources needed.
<b>Lead Time</b>	Implement by June 8 <sup>th</sup> or later with current statutory procedures.
<b>Information Technology</b>	No new resources needed.
<b>Statute Changes</b>	NRS 361.453 and NRS. 354.705, ad valorem limit, will need to be updated to permit additional rate.

## BUSINESS TAX ANALYSIS

<b>Title of the Tax:</b>	Business Tax
<b>Statutory Authority:</b>	NRS 364A.020, 364A.120, 364A.140, 364A.150, 364A.151, 364A.152, 364A.160, 364A.040, 364A.170, 364A.175
<b>Basis of the Tax:</b>	Increase the tax to \$300 per year. All businesses to include sole proprietors; employee includes owners, sole proprietors and partners. Quarterly employee calculation based upon statutory formula.
<b>Procedure:</b>	Quarterly Filing: tax returns would be updated to show \$75 instead of \$25 per full time employee.
<b>Rate:</b>	\$75 per quarter per employee, full time equivalent.
<b>Distribution:</b>	State General Fund
<b>Exemptions:</b>	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.
<b>Yield:</b>	\$41 million for FY 2003; \$164 million for FY 2004; \$167 million for FY 2005
<b>Department Requirements</b>	
<b>Existing Workload</b>	80,000 active business tax accounts which means 320,000 quarterly tax returns to process.
<b>Impact – New Workload</b>	An additional 60,000 accounts will be registered. These would be sole proprietors with no employees and not currently registered. The Department will process 60,000 new applications plus additional quarterly returns of 240,000 per year.
<b>Regulations</b>	NAC 364A.114, 364A.124, 364A.127, 364A.152
<b>Resources – Costs, Equipment, Manpower, Space</b>	Staff - \$ 4,800,000 (56 additional personnel: 42 basic package; 14 support package) Operating/Support Costs - \$ 800,000 One time equipment/computers - \$ 384,000 Total Department Cost - \$ 5,984,000 Business Tax and Business License Fee considered together as one.
<b>Lead Time</b>	Last month of a quarter to implement; last collections for FY 2003, due July 31, 2003. Retroactive relief for new accounts under NRS 364A.190.
<b>Information Technology</b>	Reprogram ACES. Existing ACES system to be replaced with a Unified Tax System. See Department IT Options, Section 8A & 8B.
<b>Statute/Regulation Changes</b>	NRS 364A.140.2, NRS 364A.140.4, NRS 364A.150.5, NRS 364A.160, NAC 364A.114

## BUSINESS LICENSE FEE ANALYSIS

<b>Title of the Tax:</b>	Business License Fee: Yearly Fee of \$100.
<b>Statutory Authority:</b>	NRS 364A.020, NRS 364A.120, NRS 364A.130
<b>Basis of the Tax:</b>	Annual renewal of Business License Fees for all businesses including sole proprietors with no employees and all LLC, LLP & other partnerships. Need to consider businesses beyond Chapter 78 and 78A.
<b>Procedure:</b>	Yearly renewal on anniversary month.
<b>Rate:</b>	\$100 per business, per year. \$25 per quarter.
<b>Distribution:</b>	State General Fund
<b>Exemptions:</b>	Same as Business Tax
<b>Yield:</b>	\$9 million FY 2004; \$10 million FY 2005
<b>Department Requirements</b>	
<b>Existing Workload</b>	Currently a one time fee. Over 80,000 active business accounts.
<b>Impact – New Workload</b>	An additional 60,000 accounts would be registering sole proprietors with no employees and not currently registered. The Department would be receiving and processing an additional 140,000 annual returns with a decision to send out a yearly renewal return separate from the quarterly returns.
<b>Regulations</b>	NAC 364A.050, NAC 364A.104; others depending upon statutory changes.
<b>Resources – Costs, Equipment, Manpower, Space</b>	Staff - \$ 4,800,000 (56 additional personnel: 42 basic package; 14 support package) Operating/Support Costs - \$ 800,000 One time equipment/computers - \$ 384,000 Total Department Cost - \$ 5,984,000 Business Tax and Business License Fee considered together as one.
<b>Lead Time</b>	Implement July 1, 2003.
<b>Information Technology</b>	Reprogram ACES. Existing ACES system to be replaced with a Unified Tax System. See Department IT Options, Section 8A & 8B.
<b>Statute/Regulation Changes</b>	NRS 364A.020.1(a), NRS 364A.130.2(d), NRS 364A.130.5(a), NAC 364A.050.1, NAC 364A.050.3, NAC 364A.104

## STATE ACTIVITY TAX ANALYSIS

<b>Title of the Tax:</b>	State Activity Tax on all types of businesses. Includes services-only industries.
<b>Statutory Authority:</b>	New statutes to define gross receipts, deductions, exceptions, manner of implementation and treatment of gross receipts.
<b>Basis of the Tax:</b>	Businesses with annual gross receipts over \$450,000.00 after deductions. Deductions established by statute.
<b>Procedure:</b>	Quarterly filing of gross receipts. Statutory deductions to include Business Tax at \$100 per employee.
<b>Rate:</b>	.0025
<b>Distribution:</b>	State General Fund
<b>Exemptions:</b>	Non – Profit; others established by statute.
<b>Yield:</b>	Approximately \$200 million per fiscal year beginning FY 2005-06.
<b>Department Requirements</b>	
<b>Existing Workload</b>	None
<b>Impact – New Workload</b>	Process 140,000 accounts per quarter in the next biennium; hiring and training new staff; resourcing and equipping new staff; training existing staff; and reformatting or implementing business processes and infrastructure.
<b>Regulations</b>	New Chapter
<b>Resources -- Costs, Equipment, Manpower, Space</b>	Staff - \$ 2,135,000 (4 personnel FY 2004; 63 personnel & 4 support FY 2005) Operating/Support Costs - \$ 963,000 One time equipment/computers - \$ 508,000 Total Department Cost - \$ 3,606,000
<b>Lead Time</b>	Two years lead time for IT development.
<b>Information Technology</b>	Develop new Unified Tax System. See Department IT Options, Section 8A & 8B.
<b>Statute Changes</b>	New Chapter

## ADMISSIONS AND AMUSEMENT TRANSACTION TAX ANALYSIS

<b>Title of the Tax:</b>	Admissions and Amusement Tax
<b>Statutory Authority:</b>	None existing.
<b>Basis of the Tax:</b>	Spectator entertainment and other related areas.
<b>Procedure:</b>	Transaction tax is added to the retail price of the admission or amusement payment.
<b>Rate:</b>	7.3 percent of admission or retail price.
<b>Distribution:</b>	State General Fund
<b>Exemptions:</b>	Tickets sold by or to non-profit groups as recognized by the Department of Taxation under the authority of NRS 372. Also tickets sold by government agencies. The rental of a facility by a non-profit or educational organization to a for-profit or commercial entity does not exempt the collection of the tax by the for-profit or commercial entity. Others established by statute.
<b>Yield:</b>	\$82/\$86 million in additional revenue per fiscal year.
<b>Department Requirements</b>	
<b>Existing Workload</b>	None.
<b>Impact – New Workload</b>	Approximately 3,200 separate accounts reporting quarterly. This will generate filing, processing, and collecting 12,800 separate tax returns per year.
<b>Regulations</b>	New Chapter.
<b>Resources – Costs, Equipment, Manpower, Space</b>	Staff - \$ 901,000 (11 personnel FY 2004 & 2005) Operating/Support Costs - \$ 156,000 One time equipment/computers - \$ 81,000 Total Department Cost - \$ 1,138,000
<b>Lead Time</b>	One quarter to implement.
<b>Information Technology</b>	Program ACES – treat as a monthly tax type. Existing ACES system to be replaced with a Unified Tax System. See Department IT Options, Section 8A & 8B.
<b>Statute Changes</b>	New Chapter.

# **RECAP - TAX PROPOSAL IMPLEMENTATION NEEDS** **FY 04 - 05 BIENNIUM**

	FY 04	FY 05	Total	# of Positions
<b><u>Business Tax &amp; Business License Fee</u></b>				
Personnel	\$ 1,640,447	\$ 1,640,447	\$ 3,280,894	42/FY04
Operating/Support Costs	302,046	302,046	604,092	
One Time Equipment/Computers	294,735		294,735	
	<u>\$ 2,237,228</u>	<u>\$ 1,942,493</u>	<u>\$ 4,179,721</u>	
Added Support Structure				
Personnel	\$ 742,085	\$ 742,085	\$ 1,484,170	14/FY04
Operating/Support Costs	98,166	98,166	196,332	
One Time Equipment/Computers	89,523		89,523	
	<u>\$ 929,774</u>	<u>\$ 840,251</u>	<u>\$ 1,770,025</u>	
	<u>\$ 3,167,002</u>	<u>\$ 2,782,744</u>	<u>\$ 5,949,746</u>	
<b><u>Admissions &amp; Amusement</u></b>				
Personnel	\$ 450,526	\$ 450,526	\$ 901,052	11/FY04
Operating/Support Costs	77,696	77,696	155,392	
One Time Equipment/Computers	81,195		81,195	
	<u>\$ 609,417</u>	<u>\$ 528,222</u>	<u>\$ 1,137,639</u>	
<b><u>Cigarette/Liquor Tax</u></b>				
Personnel	\$ 142,126	\$ 142,126	\$ 284,252	3/FY04
Operating/Support Costs	21,276	21,276	42,552	
One Time Equipment/Computers	23,454		23,454	
	<u>\$ 186,856</u>	<u>\$ 163,402</u>	<u>\$ 350,258</u>	
<b><u>State Activity Tax</u></b>				
Personnel	\$ 135,954	\$ 1,697,225	\$ 1,833,179	4/FY04
Operating/Support Costs	451,580	454,670	906,250	63/FY05
One Time Equipment/Computers	28,070	452,509	480,579	
	<u>\$ 615,604</u>	<u>\$ 2,604,404</u>	<u>\$ 3,220,008</u>	
Added Support Structure				
- differ to BLT				
Personnel	\$ 150,907	\$ 150,907	\$ 301,814	4/FY05
Operating/Support Costs	28,258	28,258	56,516	
One Time Equipment/Computers	27,353		27,353	
	<u>\$ 206,518</u>	<u>\$ 179,165</u>	<u>\$ 385,683</u>	
	<u>\$ 822,122</u>	<u>\$ 2,783,569</u>	<u>\$ 3,605,691</u>	*
<b>GRAND TOTAL - FY 04 - FY 05 BIENNIUM</b>	<u>\$ 4,785,397</u>	<u>\$ 6,257,937</u>	<u>\$ 11,043,334</u>	* 141

\* Note: Does not include full implementation that would occur in FY06-07; incremental merit salary increases; or inflationary operating increases

# GOVERNOR'S TASK FORCE PROPOSALS IMPLEMENTATION NEEDS/ONGOING COSTS

Position Title	Grade/ Step	State Activity Tax		Business License Tax		Admissions & Amusement		Cigarette/Liquor		TOTAL
		# Needed	Cost	# Needed	Cost	# Needed	Cost	# Needed	Cost	
Tax Administrator II	AD 37-1	2	\$ 111,465	0	\$ -					
Supervising Auditor II	CP 38-1	1	57,908	1	57,908					
Auditor III	CP 36-1	2	107,161	1	53,581					
Auditor II	CP 34-1	17	843,876	6	297,839	2	99,280			
Revenue Officer III	CP 34-1	1	49,640	1	49,640			2	99,280	
Revenue Officer II	CP 32-1	9	414,554	6	276,369	4	184,246			
Tax Examiners	CP 30-1	7	299,922	6	257,076	2	85,692	1	42,846	
Accounting Assistant IV	AD 29-1	2	82,743	1	41,371					
Accounting Assistant II	AD 25-1	16	576,837	5	180,262	1	36,052			
Administrative Assistant I	AD 23-1	7	236,289	10	337,555	1	33,756			
Accountant Technician III	AD 34-1	1	49,640	0	-					
Accountant Technician I	AD 30-1	2	85,692	1	42,846					
Intermittents	AD 11,500			4	46,000	1	11,500			
Personnel Costs		67	\$ 2,915,727	42	\$ 1,640,447	11	\$ 450,526	3	\$ 142,126	\$ 5,148,825
Category 03 Instate Travel			25,528		10,814		4,040		1,188	
Category 04 Operating		67	448,632	42	281,232	11	73,656	3	20,088	
Category 10 o/s Audit Travel			10,000		10,000					
Support Costs			\$ 484,160		\$ 302,046		\$ 77,696		\$ 21,276	\$ 885,178
One Time Equipment										
New Employee Pkg - Exe		40	107,520	21	56,448	8	21,504	3	8,064	
New Employee Pkg - Sec		27	29,349	21	22,827	3	3,261	0	-	
Calculators		67	8,710	42	5,460	11	1,430	3	390	
Computers/Laptops		67	335,000	42	210,000	11	55,000	3	15,000	
Onetime Costs			\$ 480,579		\$ 294,735		\$ 81,195		\$ 23,454	\$ 879,963
TOTAL			\$ 3,880,466		\$ 2,237,228		\$ 609,417		\$ 186,856	\$ 6,913,966
# of New Accounts			145,000		64,000		3,200		0	



**GOVERNOR'S TASK FORCE PROPOSALS**  
**FY04-05 IMPLEMENTATION NEEDS - GROSS RECEIPTS/PHASED IN**

Position Title	Grade/Step	FY 04		FY 05		TOTAL # Needed	Effective FY06 Per Year Continued Cost of Full Implementation
		# Needed	10/1/2003 Cost	# Needed	7/1/2004 Cost		
Tax Administrator II	AD 37-1	2	\$ 83,599			2	\$ 111,465
Supervising Auditor II	CP 38-1					1	57,908
Auditor III	CP 36-1					2	107,161
Auditor II	CP 34-1			17	421,938	17	843,876
Revenue Officer III	CP 34-1	1			49,640	1	49,640
Revenue Officer II	CP 32-1			9	207,277	9	414,554
Tax Examiners	CP 30-1			7	149,961	7	299,922
Accounting Assistant IV	AD 29-1					2	82,743
Accounting Assistant II	AD 25-1	1	27,039	15	270,392	16	576,837
Administrative Assistant I	AD 23-1	1	25,317	6	101,267	7	236,289
Accountant Technician III	AD 34-1			1	24,820	1	49,640
Accountant Technician I	AD 30-1			2	42,846	2	85,692
Intermittents	AD 11,500						
Personnel Costs		4	\$135,954	57	\$ 1,218,501	67	\$ 2,915,727
		<b>FY 04</b>	<b>\$135,954</b>	<b>FY 05</b>	<b>\$ 1,697,225</b>		
Category 03 Instate Travel			2,948				25,528
Category 04 Operating			448,632				448,632
Category 10 O/S Audit Travel			-				10,000
Support Costs			\$451,580		\$		\$ 484,160
One Time Equipment							
New Employee Pkg - Exe		2	5,376	34	91,392		
New Employee Pkg - Sec		2	2,174	23	25,001		
Calculators		4	520	57	7,410		
Computers/Laptops		4	20,000	57	285,000		
Onetime Costs			\$ 28,070		\$ 408,803		\$ -
<b>TOTAL</b>		<b>FY 04</b>	<b>\$615,604</b>	<b>FY 05</b>	<b>\$ 2,604,404</b>		<b>\$ 3,399,887</b>

# of New Accounts - 145,000

# IMPLEMENTATION NEEDS - ADDED SUPPORT STRUCTURE

Position Title	Grade/Step	Business Tax w/o State Activity Tax		Business Tax with State Activity Tax	
		# Needed	Cost	# Needed	Cost
Personnel Tech II	AD 27-1	1	\$ 38,543	1	\$ 38,543
Accounting Assistant III	AD 27-1	1	38,543	1	38,543
Mail Services Clerks	AD 23-1	1	33,756	2	67,511
Administrative Law Judge	EX 40-1	1	62,744	1	62,744
Administrative Assistant II	IS 23-1	2	67,511	4	135,022
Tax Administrator III	AD 38-1	1	57,908	1	57,908
Reclass ISMI to ISMII	IS 43-7	N/A	7,471	N/A	7,471
Inform System Specialist IV	IS 41-1	2	130,661	2	130,661
5% Diff Deputy Salaries to ISMIV	EX UC	N/A	18,938	N/A	37,876
Inform System Specialist III	IS 39-1	2	120,555	2	120,555
Agency/Program Inform Specialist I	IS 34-1	1	49,640	2	99,280
Supervising Auditor II	EX 38-1	2	115,817	2	115,817
Personnel Costs		14	\$ 742,085	18	\$ 911,930
Category 03 Instate Travel		3	4,422	4	5,896
Category 04 Operating		14	93,744	18	120,528
Support Costs			\$ 98,166		\$ 126,424
One Time Equipment					
New Employee Pkg - Exe		5	13,440	10	26,880
New Employee Pkg - Sec		9	9,783	8	8,696
Calculators		10	1,300	10	1,300
Computers/Laptops		13	65,000	16	80,000
Onetime Costs			\$ 89,523		\$ 116,876
			\$ 929,774		\$ 1,155,230
GRAND TOTAL IMPLEMENTATION			\$ 3,963,275		\$ 8,069,196
Beginning with biennium FY06-07 ongoing cost should be			\$ 6,948,735		\$ 14,144,713

note: this amount does not include merit salary increases; or inflationary operating increases

## Option A In-House Development

### Concept:

- 1) Institutionalize current decentralization- funding, staffing and resources
- 2) Robust IT function consistent with a "permanent" sized organization-funding, staffing and resource
- 3) Provide relevant IT equipment-parallel, secure and redundant
- 4) Provide qualified IT help- program management and specialized programmers
- 5) Develop and implement a "core" Unified Tax System for billing, collecting and distributing taxes

Purchase or develop peripheral modules-registration, discovery, audit and case management

### Cost: for the biennium

- 1) \$ 773,000 (included in Gov Recommends budget)
- 2) \$ 847,000 (included in prior personnel cost projection)
- 3) \$ 1,268,000 Relevant IT infrastructure
- 4) \$ 1,600,000 Includes project management and outside expertise
- 5) \$11,000,000 Includes Unified Tax System; registration, discovery, audit, case management, data warehouse, compliance and selection.
- \$ 3,000,000 DoIT recommend QA and contingency (25%)

Total \$16,868,000

**Notes:** -Project timeline and cost phase-in follows

-Existing Legacy Systems must be maintained and enhanced

-Existing and additional Department workload must be accommodated

PROS	CONS
In-house knowledge of Taxation culture and business processes can be employed to create a tailored program specific to its needs. No money wasted on unused program code.	Requires quickly increasing programming staff; finding qualified personnel
Develop/acquire new tax application functionality in a modular fashion, using current technology, while replacing ACES in a phased approach.	Maintaining a legacy based system while developing a new system is problematic.
Build in flexibility needed to make changes to existing taxes and add new taxes as necessary.	Requires design of an application using as yet undefined processes.
Return on investment. More bang for the buck.	
In-house development would allow entire programming staff to be familiar with the program should we experience turnover.	

## Option B Outsourced Development

### Concept:

- 1) Institutionalize current decentralization- funding, staffing and resources
- 2) Robust IT function consistent with a "permanent" sized organization- funding, staffing and resources
- 3) Proved relevant IT equipment- parallel, secure and redundant
- 4) Provide qualified IT help- program management
- 5) Contract for qualified consultants for COTS type application, modification and installation - a "core"

### Unified Tax System

Include, separately purchased or developed peripheral modules- registration, discovery, audit and case management

### Cost: for the biennium

- 1) \$ 773,000 (included in Gov recommends budget)
- 2) \$ 847,000 (included in prior personnel cost projection)
- 3) \$ 1,268,000 Relevant IT infrastructure
- 4) \$ 400,000 Project management
- 5) \$20,000,000 Includes Unified Tax System; registration, discovery, audit and case management
- \$ 5,000,000 DoIT recommended QA and contingency (25%)
- Total \$26,668,000

**Notes:** -Project timeline and cost phase-in follows

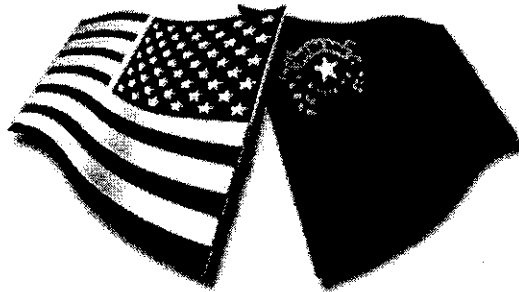
-Existing Legacy Systems must be maintained and modified

-Existing and additional Department workload must be accommodated

PROS	CONS
Cost of a COTS product for immediate needs is low.	The spiraling cost of upgrades and changes could outweigh the benefits of low initial cost.
Requires less knowledgeable staff to maintain a COTS system.	In-house IT staff does not have sufficient knowledge or expertise on the core system.
Software problems will be solved in a more efficient and quick manner.	Software fixes to address client issues would impact complexity of the software.
Procedures and Operational requirements are streamlined when product best practices are implemented in these areas.	There could be potential operational and procedural changes within the Department if the product fails to meet the Department's requirements.
COTS vendor contractually obligated to maintain / enhance the system; Department's IT staff is not required to do the same.	The Department is bound to the support capability of the vendor, for the life of the product.
	Standard Industry practice dictates a thorough product functionality study including GAP analysis, before any COTS product is decided upon.
	Security and safety of the product will be difficult to determine as the COTS product is treated as a black box.
	COTS applications use older technology.

## IT PROJECT TIMELINE

<b>SAT Tax Option 1A</b>	459 days	7/1/2003	4/1/2005
Req. Definition	550 hrs	7/1/2003	10/3/2003
Analysis	550 hrs	10/3/2003	1/8/2004
Design	733 hrs	1/8/2004	5/17/2004
Implement	1284 hrs	5/17/2004	12/27/2004
Test	367 hrs	12/27/2004	3/1/2005
Deploy	184 hrs	3/1/2005	4/1/2005
 <b>SAT Tax Option 1B</b>	 287 days	 7/1/2003	 8/5/2004
Req. Definition	472 hrs	7/1/2003	9/19/2003
Analysis	237 hrs	9/22/2003	10/31/2003
Design	502 hrs	10/31/2003	1/28/2004
Implement	734 hrs	1/28/2004	6/4/2004
Test	245 hrs	6/4/2004	7/16/2004
Deploy	107 hrs	7/16/2004	8/5/2004
 <b>Admissions &amp; Amusement Tax</b>	 100 days	 2/3/2003	 6/20/2003
Requirements Definition	120 hrs	2/3/2003	2/21/2003
Analysis	120 hrs	2/24/2003	3/14/2003
Design	160 hrs	3/17/2003	4/11/2003
Implementation	280 hrs	4/14/2003	5/30/2003
Testing	80 hrs	6/2/2003	6/13/2003
Deployment	40 hrs	6/16/2003	6/20/2003
 <b>Excise Tax Conversion</b>	 125 days	 7/1/2003	 12/22/2003
Insurance Premium Tax	1000 hrs	7/1/2003	12/22/2003
Alcohol Bev. Tax	480 hrs	7/1/2003	9/22/2003
Cigarette Tax	160 hrs	7/1/2003	7/28/2003
Other Tob. Prod. Tax	240 hrs	9/23/2003	11/3/2003
Lodging Tax	80 hrs	7/29/2003	8/11/2003
Short Term Lessor Tax	160 hrs	11/4/2003	12/1/2003
Tire Surcharge	160 hrs	8/12/2003	9/8/2003
 <b>ACES Conversion</b>	 518 days	 1/3/2005	 12/27/2006
Req. Definition, Analysis, & Design	10 mths	1/3/2005	10/7/2005
Develop Application	11 mths	10/8/2005	8/10/2006
Test Application	3 mths	8/11/2006	11/2/2006
Deploy Application	2 mths	11/3/2006	12/27/2006



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