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Implementation Plan for the Nevada Revenue Enhancement (For the Department of Taxation Only)

Phase I: Current Year FY 2002-03

Tax	Change	Effective Date	Workload	Tasks	Issues	Costs
Cigarette Tax	Increase Tax Rate	30 days Implement on the first of the next month.	103 accounts No change	Change rate at desktop. Update access database for liquor tax. Revise tax returns. Prepare and mail educational materials. Future IT migration	Manual process. Currently understaffed & have minimal enforcement and compliance	Total biennial cost, \$350 K 3 FTE: 1 tax examiner 2 revenue officers. Equipment and Computers Operating and support costs
Liquor Tax	Increase Tax Rates	30 days	66 accounts No change	Same as for cigarette tax.	Same as for cigarette tax	Printing and postage Included in cigarette tax costs.

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Business Activity Tax (BAT)	Increase Tax Rates	Minimum, one month prior to end of Qtr	Currently 80,000 quarterly accts. (320,000 returns/year)	Change rate at desktop. Revise tax returns. Prepare and mail educational materials. Future IT migration. Revise regulations to reflect legislative changes.	A tax increase does not change the workload.	Total biennial cost, \$5.9 million.
Expand tax base to include all businesses, all employees, and sole proprietors.			Additional: 60,000 accts. (additional 240,000 qtrly returns to process.)	Expand database to add sole proprietors, all businesses and business owners. Use IRS & other data to identify taxpayers in Nevada and prepare mailing list.	Expanding the tax base increases the workload by 41%. To continue in-house processing requires resources for staff, equipment, and office space.	Costs include 56 FTE for auditors, revenue officers, tax examiners, technical support, administrative support.
				Update ACES tables. Future IT integration when ACES replaced with Unified Tax System.	Feasibility and costs for outsourcing are not available	Additional office space, equipment, and phones in Reno and Las Vegas.
				Prepare educational materials, revise tax return., mail to taxpayers.	Current statute allows retroactive relief for misfiling	Printing and postage.
				Recruit, hire and train new staff.		
				Purchase new equipment and set up office space		

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Phase II: The Bridge

FY 2003-04 and FY 2004-05

Tax	Change	Effective Date	Workload	Tasks	Issues	Costs
Business License Fee	Implement an annual \$100 business license fee.	7/1/03	Currently 80,000 accounts. 60,000 accts. additional with annual fee. 20,000 accts. opened or closed annually.	Define applicability of tax Update current database with additional accounts. Prepare educational materials and mail to taxpayers. Update ACES tables. Future IT migration.	Annual filing on anniversary date. Technically easier to treat as a separate filing. Clarification needed on application of fee to different types of businesses (LLC, LLP, etc).	Costs included in BAT estimates. See BAT staff increases. New business license fee accounts will be part of the increased workload. Printing and Postage
Property Tax	Increase property tax by \$0.15 per \$100 AV	FY 04-05	No impact	No significant tasks	Will there be a change to the existing \$3.64 cap	No resources needed.

Admissions and Amusement tax	Implement a new tax on admissions and amusement at 7.3%.	10/1/03	3,200 new accounts. File quarterly. 12,800 returns annually.	Draft regulation Prepare educational materials, tax returns, and mail to taxpayers. Program ACES. Future IT integration when ACES replaced with a Unified Tax System. Recruit, hire, train staff for data entry, tax processing and compliance.	Businesses will need time to set up their systems to collect the tax.	Total biennial cost is \$1.2 Million 11 additional personnel. Additional office space, equipment, and phones. Printing and postage
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Phase III: The Transition

FY 2005-06 and FY 2006-07

Tax	Change	Effective Date	Workload	Tasks	Issues	Costs
Gross Receipts Tax (GRT)	New business tax on gross receipts	7/1/05	140,000 new	Year 1: 1a) <u>Draft regulations</u> Regulations will be needed for allocation/apportionment, Some of the deductions such as pass through revenue. 1b) <u>Computer System</u> Replace ACES with Unified Tax System. In year 1 determine computer needs. Implement core programs and associated modules. Consider electronic administration (electronic filing, electronic funds transfer, and credit card needs) in computer package. Design, and build system.	Outsource portions of tax administration? Determine threshold for filing.	Year 1: \$825,000 first year cost for 4 FTE. Additional office space, equipment, phones, Postage and printing Year 2: \$2.8 million for 67 FTE Additional office space, equipment, phones, Postage and printing

					<u>2b) Organizational Change</u> Recruit, hire and train personnel Expand office space for new personnel. <u>2c) Finalize and print new return.</u> Train staff (data entry needs training unless everything is electronic. <u>2d) Taxpayer Education</u> Prepare detailed materials on new tax and how to file it. Taxpayer workshops in urban areas. Phone line help and website information. Mail 'sample' returns early to train taxpayers. No tax is due. <u>2e) Implement 7/1/05.</u> Third Quarter returns due 10/31/05.			No impact
Business Activity Tax (BAT)	Decrease tax rate from \$300 to \$140 per FTE employee.	7/1/05	No impact	Change rate in computer database. Revise tax returns. Prepare and mail educational materials along with SAT materials.				