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**RECOMMENDED PROVISIONS AND AMENDMENTS TO THE VARIOUS TAX PROPOSALS**  
**Submitted by the Nevada Taxpayers Association - May 21, 2003**

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*(Please note: The following are listed in alphabetical order.)*

**ALCOHOLIC BEVERAGE TAX**

1. Provide that a contract entered into prior to the effective date of this bill which cannot be reopened or has a non-escalating clause is not subject to the increased tax.

Reason: If the contract does not contain a reopening provision or contains a non-escalating clause, a financial burden is created for the person/business who is providing the service under contract.

**AMUSEMENT/ENTERTAINMENT TAX** (Elements of this tax are in the Governor's and Task Force bills. Additionally, a variation called the "Live Entertainment Tax" has been proposed by Senator Townsend.)

2. Provide for registration of the person collecting the tax.

Reason: This is standard in the tax statutes whereby a person/business is collecting the tax and remitting it to the State, and addresses the issues of when a permit has not been issued or is revoked.

3. Provide that a business will remit the tax and be audited based on how the business tax return is filed with IRS. Require the reporting form to indicate how the business is reporting - cash or accrual.

Reason: This accommodates those persons/businesses that use the cash basis method of accounting instead of the accrual method of accounting. Without this provision, those businesses/persons who do not receive payment have no way of deducting the bad debt. Additionally, they will not need to maintain a "second set" of books to satisfy audits.

4. Amend to add that tickets sold prior to the effective date of this bill are not subject to the increased tax.

Reason: Frequently, blocks of tickets are purchased by groups or brokers for events in the future. There is no easy way to collect this tax on pre-sold tickets. This is not an uncommon provision, and has normally appeared in bills which increase the sales tax rate.

5. (Amodei/Care bill) - Provide that the amount of the collection allowance is allowed within a specific time frame (i.e. 1% if the tax is remitted by the 15<sup>th</sup> day of the reporting period.)

Reason: This provides certainty in the time frame, rather than using a phrase such as "mid-month".

6. Provide that the reduction in the collection allowance is not a bifurcated rate based on the remittance date.

Reason: The Department cannot handle a bifurcated system until it has a new computer system.

7. (Townsend proposal) The live entertainment tax should not be split between two collecting agencies - Gaming Control Board and Department of Taxation.

Reason: This becomes problematic relative to the regulations which would be adopted by the Department of Taxation, vs. those that are currently in place as adopted by the Gaming Control Board. Moving the collection to the Department of Taxation would not be unusual as the collection of the insurance premium tax and the car rental tax was moved to the Department of Tax from the Insurance Division and DMV.

**BUSINESS LICENSE TAX (NRS 364A)**

8. Provide that a contract entered into prior to the effective date of this bill which cannot be reopened or has a non-escalating clause is not subject to the increased tax.

## BUSINESS LICENSE TAX CONTD.

Reason: If the contract does not contain a reopening provision or contains a non-escalating clause, a financial burden is created for the person/business who is providing the service under contract. This is a common provision which is used when there has been an increase in the sales tax rate.

9. Consider an amendment to remove individual that have a business but do not pay wages from being included with sole proprietors who will now become subject to the tax.

Reason: Due to the problems in identifying many of these individuals since there are a number of local governments that do not require a business license.

## BUSINESS TAX SURCHARGE (Amodei/Care bill and Townsend proposal.)

10. Delete this section from NRS 612 and amend to add a new provision to NRS 364A.

*1. In addition to the tax imposed pursuant to NRS 364A.140, a surcharge is hereby imposed on each employer at the following rate:*

*(a) If the employer employs not more than ? full-time employees, the employer shall pay a surcharge at a rate of ? percent of the taxable wages as reported on the Employer's Quarterly Contribution and Wage Report, or the successor form as filed with the Nevada Employment Security Division.*

*2. The surcharge imposed by this section must not be deducted in whole or in part, from the wages of persons in employment for that employer.*

*3. The surcharge imposed by this section must be collected by the Department at the same time and in the same manner as provided for the business tax.*

*4. As used in this section, "employer" does not include:*

*(a) A person to whom a gaming license has been issued pursuant to NRS 463.301*

*(b) An agricultural employer as defined in NRS 612.055*

*(c) A public utility as defined in NRS 704.020*

*(d) A person who owns or operates a mine and is subject to the provisions of NRS 362.*

*5. The Department shall modify the business tax form to include the surcharge imposed by this section.*

Reason: While the Employment Security Division does collect the Unemployment Tax, it is not done for purposes of collecting revenue for the State's general fund. Other problems are: the Division does not have an appeals process (other than for claims) and; businesses would not be afforded the protections granted by the Taxpayers Bill of Rights which applies only to those taxes in Title 32.

11. Regardless of who ultimately collects this tax, there should be an amendment so that the definition of "affiliated businesses" is the same.

Reason: This would simplify the exchange of information between the two agencies and allow the sharing of audit information.

## PROPERTY TAX (As proposed in SB 308)

12 This bill requires the following amendment at a minimum:

Exemption from the calculation:

(a) Of both current and future voter approved bond issues and operating overrides;

(b) Existing voter approved school bond rollovers; and

(c) The cost of unfunded mandates passed to local governments by the State or Legislature.

## PROPERTY TAX CONTD.

Reasons: The existing voter approved school bond rollovers will not enjoy the benefit of the future assessment increases as the bill is worded. It will take a higher tax rate in the future to cover bond issues and overrides. The burden is shifted to the local taxpayers. The proposed state budget contains an increase in funding of 1 ½ % to support PERS. The impact to local governments will be somewhere between \$7,875,000 and \$12 million dollars, depending on whether or not the contribution to PERS is shared or fully paid by the local government. This unfunded mandate will impact budgets immediately and have a compounding effect

### REAL PROPERTY TRANSFER TAX

*Note: While there is no bill at this time to add a rate for state operating, the following issues should be addressed to make this a viable revenue source.*

13. Provide the basis on which the tax is to be levied.
14. Specify the event and the time frame after the event that the tax would be required to be remitted (i.e., upon the close of escrow, the recording of the title, etc. the tax is to be remitted to the County Recorder within 30 days).
15. Provide for a collection allowance for the County Recorder.
16. Provide penalties for non-compliance.
17. Provide that transactions which are completed prior to the effective date of this legislation are not subject to the increase.

### ROOM TAX - TRANSIENT LODGING TAX (Amodei/ Care bill)

18. Provide that rooms which are sold prior to the effective date of this bill are not subject to the increased tax.

Reason: Frequently, blocks of rooms are purchased by groups or brokers for trips in the future. There is no easy way to collect this tax on pre-sold rooms.

### SERVICES TAX (Amodei/Care bill)

*NOTE: If both the Amusement Tax and Transaction Tax on Services should be approved, they should be merged into one new Chapter in Title 32. This would simplify forms, regulations, administration etc.*

19. Add a collection allowance. Use Section 14 from amusement tax in SB 382.

Reason: Self-explanatory.

20. Provide that service contracts entered into prior to passage and approval of this bill are not subject to the increased tax.

Reason: As with the purchase of tangible goods, contracts are frequently entered into for the purchase of the service. If the contract does not contain a reopening provision or contains a non-escalating clause, this creates a financial burden for the person/business who is providing the service under contract. This is a common provision which is used when there has been an increase in the sales tax rate.

21. Provide that services which are provided to non-profits qualified under the provisions of NRS 372 are exempt from paying the tax.

Reason: For conformity with sales and use tax provisions.

22. Provide that service functions must be separately stated on any billing form from other non-taxable services or tangible goods being purchased.

Reason: To simplify audit procedures.

23. Provide that the Department may not impose an implied price on a service which is provided at no charge.

Reason: This would insure that services which are provided "pro-bono" would not be subject to the tax.