

SENATE BILL NO. 487—COMMITTEE ON TAXATION

MARCH 29, 2005

Referred to Committee on Taxation

SUMMARY—Revises method of calculation of gross yield of geothermal operation for purposes of tax on net proceeds of minerals extracted. (BDR 32-1324)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted-material~~ is material to be omitted.

AN ACT relating to the tax on the net proceeds of minerals extracted; excluding from the calculation of the gross yield of an operation extracting geothermal resources any revenue received for ensuring capacity or because the operation constitutes a renewable energy system; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 362.120 is hereby amended to read as follows:
2 362.120 1. The Department shall, from the statement filed
3 pursuant to NRS 362.110 and from all obtainable data, evidence and
4 reports, compute in dollars and cents the gross yield and net
5 proceeds of the calendar year immediately preceding the year in
6 which the statement is filed.
7 2. ~~The~~ *Except as otherwise provided in subsection 3, the*
8 gross yield must include the value of any mineral extracted which
9 was:
10 (a) Sold;
11 (b) Exchanged for any thing or service;
12 (c) Removed from the State in a form ready for use or sale; or
13 (d) Used in a manufacturing process or in providing a service,
14 ↳ during that period.



3. *The gross yield for payments made to an operation extracting geothermal resources is limited to revenue from the production of energy, and does not include payments that are made to the operation:*

(a) *To ensure that a certain capacity is available for sale; or*

(b) *Because the operation constitutes a renewable energy system, as that term is defined in NRS 704.7815.*

4. The net proceeds are ascertained and determined by subtracting from the gross yield the following deductions for costs incurred during that period, and none other:

(a) The actual cost of extracting the mineral.

(b) The actual cost of transporting the mineral to the place or places of reduction, refining and sale.

(c) The actual cost of reduction, refining and sale.

(d) The actual cost of marketing and delivering the mineral and the conversion of the mineral into money.

(e) The actual cost of maintenance and repairs of:

(1) All machinery, equipment, apparatus and facilities used in the mine.

(2) All milling, refining, smelting and reduction works, plants and facilities.

(3) All facilities and equipment for transportation except those that are under the jurisdiction of the Public Utilities Commission of Nevada or the Transportation Services Authority.

(f) The actual cost of fire insurance on the machinery, equipment, apparatus, works, plants and facilities mentioned in paragraph (e).

(g) Depreciation of the original capitalized cost of the machinery, equipment, apparatus, works, plants and facilities mentioned in paragraph (e). The annual depreciation charge consists of amortization of the original cost in a manner prescribed by regulation of the Nevada Tax Commission. The probable life of the property represented by the original cost must be considered in computing the depreciation charge.

(h) All money expended for premiums for industrial insurance, and the actual cost of hospital and medical attention and accident benefits and group insurance for all employees.

(i) All money paid as contributions or payments under the unemployment compensation law of the State of Nevada, as contained in chapter 612 of NRS, all money paid as contributions under the Social Security Act of the Federal Government, and all money paid to either the State of Nevada or the Federal Government under any amendment to either or both of the statutes mentioned in this paragraph.



(j) The actual cost of developmental work in or about the mine or upon a group of mines when operated as a unit.

(k) All money paid as royalties by a lessee or sublessee of a mine or well, or by both, in determining the net proceeds of the lessee or sublessee, or both.

~~44~~ 5. Royalties deducted by a lessee or sublessee constitute part of the net proceeds of the minerals extracted, upon which a tax must be levied against the person to whom the royalty has been paid.

~~55~~ 6. Every person acquiring property in the State of Nevada to engage in the extraction of minerals and who incurs any of the expenses mentioned in subsection ~~33~~ 4 shall report those expenses and the recipient of any royalty to the Department on forms provided by the Department.

~~66~~ 7. The several deductions mentioned in subsection ~~33~~ 4 do not include any expenditures for salaries, or any portion of salaries, of any person not actually engaged in:

(a) The working of the mine;

(b) The operating of the mill, smelter or reduction works;

(c) The operating of the facilities or equipment for transportation;

(d) Superintending the management of any of those operations; or

(e) The State of Nevada, in office, clerical or engineering work necessary or proper in connection with any of those operations.

Sec. 2. This act becomes effective on July 1, 2005.



