

SENATE BILL NO. 506—COMMITTEE ON TAXATION

MARCH 26, 2007

Referred to Committee on Taxation

SUMMARY—Revises provisions governing taxation of moist snuff. (BDR 32-256)

FISCAL NOTE: Effect on Local Government: No.
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 taxation; revising the manner in which moist snuff is taxed in this State; revising the rate of the tax credit for unsold moist snuff upon which the tax has been paid; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Section 1 of this bill defines “moist snuff” for purposes of the provisions governing the taxation of products made from tobacco, other than cigarettes, to mean a moist and finely cut, ground or powdered tobacco product that is not intended to be smoked or placed in the nasal cavity. (NRS 370.440-370.503)

Section 2 of this bill revises the rate of taxation imposed on the purchase of moist snuff from the current rate set forth in NRS 370.450 of 30 percent of the wholesale price to a rate of 75 cents per ounce. **Section 2** also provides that the tax must be computed based on the net weight of the product listed by the manufacturer.

Section 3 of this bill specifies that the rate of the tax credit set forth in NRS 370.490 for moist snuff that may no longer be sold is equal to the taxes paid to the Department pursuant to NRS 370.450. This revision leaves intact the existing statutory tax credit applicable to certain other tobacco products, while ensuring that the tax credit applicable to moist snuff is based on the taxes paid pursuant to the new tax rate imposed on moist snuff by **section 2** of this bill.

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

Section 1. NRS 370.440 is hereby amended to read as follows:
370.440 As used in NRS 370.440 to 370.503, inclusive, unless
the context otherwise requires:



1 1. ***"Moist snuff" means any finely cut, ground or powdered***
2 ***tobacco that is not intended to be smoked. The term does not***
3 ***include tobacco that is intended to be placed in the nasal cavity.***

4 2. "Retail dealer" means any person who is engaged in selling
5 products made from tobacco, other than cigarettes, to customers.

6 ~~13-1~~ 3. "Sale" means any transfer, exchange, barter, gift, offer
7 for sale, or distribution for consideration of products made from
8 tobacco, other than cigarettes.

9 ~~13-1~~ 4. "Ultimate consumer" means a person who purchases a
10 product made from tobacco, other than cigarettes, for his household
11 or personal use and not for resale.

12 ~~14-1~~ 5. "Wholesale dealer" means any person who:

13 (a) Brings or causes to be brought into this State products made
14 from tobacco, other than cigarettes, purchased from the
15 manufacturer or a wholesale dealer and who stores, sells or
16 otherwise disposes of those products within this State;

17 (b) Manufactures or produces products made from tobacco,
18 other than cigarettes, within this State and who sells or distributes
19 those products within this State to other wholesale dealers, retail
20 dealers or ultimate consumers; or

21 (c) Purchases products made from tobacco, other than cigarettes,
22 solely for the purpose of bona fide resale to retail dealers or to other
23 persons for the purpose of resale only.

24 ~~15-1~~ 6. "Wholesale price" means:

25 (a) Except as otherwise provided in paragraph (b), the
26 established price for which a manufacturer sells a product made
27 from tobacco, other than cigarettes, to a wholesale dealer before any
28 discount or other reduction is made.

29 (b) For a product made from tobacco, other than cigarettes, sold
30 to a retail dealer or an ultimate consumer by a wholesale dealer
31 described in paragraph (b) of subsection ~~14-1~~ 5, the established price
32 for which the product is sold to the retail dealer or ultimate
33 consumer before any discount or other reduction is made.

34 **Sec. 2.** NRS 370.450 is hereby amended to read as follows:

35 370.450 1. Except as otherwise provided in ~~subsection 2,~~
36 ***subsections 2 and 3,*** there is hereby imposed upon the purchase or
37 possession of products made from tobacco, other than cigarettes ~~14-1~~
38 ***or moist snuff,*** by a customer in this State a tax of 30 percent of the
39 wholesale price of those products.

40 2. ***Except as otherwise provided in subsection 3, there is***
41 ***hereby imposed upon the purchase or possession of moist snuff by***
42 ***a customer in this State a tax of 75 cents per ounce, with a***
43 ***proportionate tax at the same rate on all fractional parts of an***
44 ***ounce. The tax must be computed based on the net weight of the***
45 ***product listed by the manufacturer.***



3. The provisions of ~~{subsection}~~ *subsections 1 and 2* do not apply to those products which are:

- (a) Shipped out of the State for sale and use outside the State; or
- (b) Displayed or exhibited at a trade show, convention or other exhibition in this State by a manufacturer or wholesale dealer who is not licensed in this State.

~~{3-}~~ 4. This tax must be collected and paid by the wholesale dealer to the Department, in accordance with the provisions of NRS 370.465, after the sale or distribution of those products by the wholesale dealer. The wholesale dealer is entitled to retain 0.5 percent of the taxes collected to cover the costs of collecting and administering the taxes if the taxes are paid in accordance with the provisions of NRS 370.465.

~~{4-}~~ 5. Any wholesale dealer who sells or distributes any of those products without paying the tax provided for by this section is guilty of a misdemeanor.

Sec. 3. NRS 370.490 is hereby amended to read as follows:

370.490 1. The Department shall allow a credit of ~~{30 percent of the wholesale price, less a discount of 0.5 percent for the services rendered in collecting the tax,}~~ *the taxes paid to the Department pursuant to NRS 370.450* for products made from tobacco, other than cigarettes, ~~{upon which the tax has been paid pursuant to NRS 370.450 and}~~ that may no longer be sold. If the products have been purchased and delivered, a credit memo of the manufacturer is required for proof of returned merchandise.

2. A credit must also be granted for any products made from tobacco, other than cigarettes, shipped from this State and destined for retail sale and consumption outside the State on which the tax has previously been paid. A duplicate or copy of the invoice is required for proof of the sale outside the State.

3. A wholesale dealer may claim a credit by filing with the Department the proof required by this section. The claim must be made on a form prescribed by the Department.

Sec. 4. This act becomes effective on July 1, 2007.

