

ASSEMBLY BILL NO. 436—ASSEMBLYMAN OCEGUERA

MARCH 21, 2011

Referred to Committee on Taxation

SUMMARY—Provides a deduction from the payroll tax for wages paid to newly hired employees under certain circumstances. (BDR 32-724)

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; providing a deduction from the payroll tax for certain employers for wages paid to newly hired employees under certain circumstances; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing law requires employers to pay a payroll tax on the wages paid to their
2 respective employees during each calendar quarter. The tax is currently imposed on
3 employers other than financial institutions at the rate of 0.5 percent of the total
4 wages paid per calendar quarter that do not exceed \$62,500 plus 1.17 percent of
5 any additional quarterly wages. On July 1, 2011, the rate of the tax is scheduled to
6 change to 0.63 percent of the wages paid per calendar quarter. (NRS 363B.110)
7 This bill authorizes employers in Nevada to deduct from the total amount of wages
8 reported and upon which the payroll tax is imposed any wages paid to newly hired
9 employees during the 4-year period next following their hiring if the employees are
10 paid wages above a specified amount and certain other conditions are satisfied.

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

Section 1. Chapter 363B of NRS is hereby amended by adding thereto a new section to read as follows:

1. Except as otherwise provided in subsection 2, an employer may deduct from the total amount of wages reported and upon which the excise tax is imposed pursuant to NRS 363B.110 any wages paid by the employer to an employee during the 4-year period next following the hiring of the employee if:



* A B 4 3 6 *

(a) *The employee:*

(1) *Is a resident of this State;*

(2) *Is first hired by the employer on or after July 1, 2011;*

and

(3) *Is not a full or part owner or a dependent of the employer;*

(b) *The total amount of wages paid by the employer to the employee during the calendar quarter for which any portion of the deduction is claimed is greater than one-quarter of the average statewide annual wage or average countywide annual wage, whichever is less, as established by the Employment Security Division of the Department of Employment, Training and Rehabilitation on July 1 of each fiscal year for the county which is the primary workplace of the employee;*

(c) *The total number of employees employed by the employer on the last day of the calendar quarter for which any portion of the deduction is claimed exceeds the total number of employees employed by the employer on the last day of the corresponding calendar quarter of the immediately preceding calendar year; and*

(d) *The total number of hours worked by all employees employed by the employer during the calendar quarter for which the deduction is claimed exceeds the total number of hours worked by all employees employed by the employer during the corresponding calendar quarter of the immediately preceding calendar year.*

2. *The total amount of wages with respect to which an employer may claim a deduction from the excise tax imposed pursuant to NRS 363B.110 must not, under any circumstances, exceed \$1,250 per quarter for each employee for which the deduction is claimed pursuant to subsection 1.*

3. *An employer claiming the deduction allowed pursuant to this section shall, upon the request of the Department, explain the amount claimed to the satisfaction of the Department and provide the Department with such documentation as the Department deems appropriate for that purpose.*

4. *As used in this section, "renewable energy" has the meaning ascribed to it in NRS 704.7811.*

Sec. 2. The Nevada Tax Commission shall adopt any regulations necessary for the full implementation of section 1 of this act on or before July 1, 2011.



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- 1 **Sec. 3.** This act becomes effective upon passage and approval
- 2 for the purpose of adopting regulations and performing any other
- 3 preparatory administrative tasks that are necessary to carry out the
- 4 provisions of this act and on July 1, 2011, for all other purposes.

