

BDR 32-710

AB 441

EXECUTIVE AGENCY FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: April 8, 2017

Agency Submitting: Gaming Control Board

Items of Revenue or Expense, or Both	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Effect on Future Biennia
Total	0	0	0	0

Explanation

(Use Additional Sheets of Attachments, if required)

The agency has thoroughly reviewed the bill and, ultimately, concluded the fiscal impact (to the state and agency) cannot be determined. See attachment for analysis.

Name Jaime Black

Title Senior Research Specialist

GOVERNOR'S OFFICE OF FINANCE COMMENTS

Date Wednesday, April 05, 2017

The agency's response appears reasonable.

Name Laura Freed

Title Executive Budget Officer

DESCRIPTION OF FISCAL EFFECT

BDR/Bill/Amendment Number: BDR 32-710/AB441

Name of Agency: Nevada Gaming Control Board

Division/Department: Audit and Tax & License Divisions

Date: April 3, 2017

Bill by Section:	Fiscal Impact (State): Increase/Decrease to Entertainment Revenue	Fiscal Impact (Agency): Increase/Decrease to Cost to Administer	Comments:
Section 2: NRS 368A.020	No obvious fiscal impact.	No obvious impact to administrative costs.	Seems redundant and unnecessary.
Section 3: NRS 368A.200(2)(a)	<p>Definite fiscal impact, although quantitative amount is indeterminable at this point. For instance, there is no way to predict future concert tours over the next several years, let alone size, pricing, and whether or not they will be provided for the benefit of a tax exempt organization.</p> <p>Taxable revenue would be lost in the amount of consideration received for the first 7,499 tickets that would no longer be subject to tax. (treating multi-day events as a single event for each day would also have a negative impact; ticket count would have to be over 7,499 each day).</p>	<p><u>Audit Division</u>: Administrative cost impact, although unknown, would be significant. This would require changes to the NAC and MICS, including public workshops, comments, training, re-issuance of industry resources with revisions, as well as, internal and external walkthrough and guidance revisions.</p> <p><u>Tax & License Division</u>: No fiscal impact.</p>	This is not a "clarification" of SB266. Instead, it exempts the first 7,499 tickets from tax, whereas now such tickets are taxable.

Bill by Section:	Fiscal Impact (State): Increase/Decrease to Entertainment Revenue	Fiscal Impact (Agency): Increase/Decrease to Cost to Administer	Comments:
Section 3: NRS 368A.200(2)(a)(1) and (2)	No fiscal impact.	No administrative cost impact.	Language is consistent with current policy and application, as noted at NAC 368A.470(3).
Section 3: NRS 368A.200(2)(d)	Fiscal impact unknown. Possible increase in entertainment revenue, which would likely be challenged by licensees. If the licensees' challenges are 100% successful, then there would be a corresponding decrease in entertainment revenue, and the net effect would be zero. See Comments.	<u>Audit Division</u> : As proposed, the NRS would limit the service charge exemption to only independent providers of ticketing services, but the exemption in the current NAC 368A.400(8) does not contain this limitation. This NAC would have to be changed to match the more limited wording in the proposed NRS, thus leading to the unintended consequence for Ticketmaster or AXS. <u>Tax & License Division</u> : No fiscal impact.	Time spent on challenges of calculating audit assessments, is time lost to regularly scheduled audits. In order to avoid this conflict, suggest "Independent providers of ticketing services" be replaced with "ticket service providers."
Section3: NRS 368A.200(2)(e)	There is not sufficient information available to determine fiscal impact on the State, but there would likely be no material increase in entertainment revenue.	<u>Audit Division</u> : Cost to administer, although unknown, would be significant. Major revisions to the NAC and MICS and associated materials (as previously indicated) would be required to implement adequate controls and documentation to establish the meaning of "sold in this State," as well as, clarification of "member is a resident of this State." The NAC would need to be revised to require that records of out-of-state sales to Nevada residents be maintained in the state of Nevada. <u>Tax & License Division</u> : No fiscal impact.	Without NAC and MICS requirements, these become largely unenforceable and subject to exploitation. Creates significant ambiguity (in favor of the taxpayer) without clarification.

Bill by Section:	Fiscal Impact (State): Increase/Decrease to Entertainment Revenue	Fiscal Impact (Agency): Increase/Decrease to Cost to Administer	Comments:
Section3: NRS 368A.200(2)(f)	Potentially significant loss of entertainment revenue. The proposed language allows for manipulation of pricing to avoid taxation. Language is also ambiguous which could result in the inability to apply the tax as intended.	<u>Audit Division:</u> Cost to administer, although unknown, would be significant. Major revisions to the NAC, MICS and associated materials (as noted previously) would be required, including revision of NAC 368A.450(3), with which this section is in direct conflict. <u>Tax & License Division:</u> No fiscal impact.	None.
Section3: NRS 368A.200(3)	No fiscal impact.	No administrative cost impact.	The stated requirements for reporting of installment sales are consistent with those currently applied.
Section 4: NRS 368A.220(4)	Possible positive fiscal impact on the State if licensees requests to file within ten days of the conclusion of an event (tax returns are due on the 15 th of the following month); however, there is not sufficient information to determine the amount of the fiscal impact.	<u>Audit Division:</u> No fiscal impact. <u>Tax & License Division:</u> Indeterminable, negative fiscal impact. This section would overhaul the present monthly LET reporting system currently in place by potentially requiring that multiple tax returns with varying due dates be filed each month. Also, the tax filing system would require programming modifications and tax forms would need to be amended.	None.

Bill by Section:	Fiscal Impact (State): Increase/Decrease to Entertainment Revenue	Fiscal Impact (Agency): Increase/Decrease to Cost to Administer	Comments:
Section 5: The proposed changes would become effective July 1, 2017.	Loss of taxable revenue due to implementation of policies having a negative fiscal impact as noted above. Also, time lag to adopt revised NAC and MICS (12-24 months) generally results in lost revenues due to uncertainty of taxability which, in an effort to be conservative, generally are settled in favor of the taxpayer.	<u>Audit Division</u> : Cost to administer, although unknown, would be significant due to limited staff resources, and possible overtime incurred, to process needed changes on an expedited timeframe. <u>Tax & License Division</u> : No fiscal impact.	None.