

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Eightieth Session
April 18, 2019**

The Senate Committee on Revenue and Economic Development was called to order by Chair Marilyn Dondero Loop at 2:05 p.m. on Thursday, April 18, 2019, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Marilyn Dondero Loop, Chair
Senator Julia Ratti, Vice Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Heidi Seevers Gansert

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Barbara Williams, Committee Secretary

OTHERS PRESENT:

Melanie Young, Executive Director, Department of Taxation
Paul Moradkhan, Las Vegas Metro Chamber of Commerce
Mendy Elliott, Reno Sparks Chamber of Commerce

CHAIR DONDERO LOOP:

I will begin the hearing on Senate Bill (S.B.) 497.

SENATE BILL 497: Eliminates certain filing requirements related to the commerce tax. (BDR 32-1198)

MELANIE YOUNG (Executive Director, Department of Taxation):

Senate Bill 497 removes the filing requirement for certain commerce tax returns with the Department of Taxation.

This bill is the proposal of an efficiency measure which reduces costs and is taxpayer- and State-friendly. It revises *Nevada Revised Statutes* 363C.200 by eliminating the requirement that each entity engaging in a business in the State file a commerce tax return. The bill provides that a business entity whose Nevada gross revenue exceeds \$4 million shall file a tax return; a business entity whose Nevada gross revenue is \$4 million or less is not required to file a return. The bill is effective upon passage and approval.

This bill comes with a General Fund savings of \$37,228 over the biennium. Most of the savings comes from cost avoidance. More than 72 percent of taxpayers are noncompliant with the statutory filing requirement. If the Department were to enforce the filing requirement, additional resources would be needed. The cost savings comes from lockbox services that enter returns for the Department. In fiscal year (FY) 2018, it entered 66,961 zero-filer returns, 13,314 were processed in-house and 73,624 were submitted online.

In FY 2018, there were 534,356 commerce tax accounts registered. Only 145,981 returns were filed meaning 388,375 taxpayers were out of compliance with the requirement to file. Averaged over the last 3 fiscal years, only 6,924 commerce tax accounts met the threshold of more than \$4 million in gross revenue or 1.57 percent. Also averaged over the last 3 fiscal years, the Department processed 147,553 zero-filer returns each year.

CHAIR DONDERO LOOP:

How many entities would this affect?

Ms. YOUNG:

Potentially, about 530,000 taxpayer accounts would not have to file a return. There are 6,924 entities required to file.

SENATOR SEEVERS GANSERT:

I am glad to see this brought forward. I sponsored a similar bill, S.B. 152.

SENATE BILL 152: Eliminates the requirement for certain businesses to file a commerce tax return. (BDR 32-521)

My concern was that we have mechanisms in place to ensure those who are required to report comply. When I met with the Department, you gave me some methods you have available to ensure compliance. Could you go over that information?

Ms. YOUNG:

We use several methods to determine which taxpayers should be paying commerce tax. We use the sales and use tax reports to derive expected gross income. We also look at the Modified Business Tax accounts and can see what salaries are being paid which might indicate the business meets the threshold. We are purchasing business analytic software that can model and identify business profiles.

SENATOR SEEVERS GANSERT:

Will the savings from this bill cover the cost of the business analytic software?

Ms. YOUNG:

The software cost is about \$9,000 per year. We used that figure to net out the savings I provided earlier.

SENATOR RATTI:

I have been one of those taxpayers who, for many years, had to file the commerce tax return although I never grossed \$4 million. Filling out that form each year seem inane. Even though I have closed my corporation effective this year, I am glad to see this bill brought forward. This is an example of good government. We need to ensure those who should be paying the tax do, but we can provide some relief to the large number of small businesses that do not meet the threshold.

CHAIR DONDERO LOOP:

Do all the entities who owe commerce tax comply?

Ms. YOUNG:

Yes, all 6,924 comply and pay the tax.

SENATOR KIECKHEFER:

What data have you compiled from the zero returns?

Ms. YOUNG:

The tax return has been simplified for zero-filers. The return only requires them to check a box and certify gross revenue is less than \$4 million. We have no way to know if they are close to the threshold without doing some business analytics.

SENATOR KIECKHEFER:

Do they not declare what type of business they are in?

Ms. YOUNG:

Yes, they do provide their taxpayer identification number and the industry they are in.

SENATOR RATTI:

As part of your compliance check, will you look at businesses that file one year and then do not file the following year?

Ms. YOUNG:

Yes, we would follow up on those businesses.

PAUL MORADKHAN (Las Vegas Metro Chamber of Commerce):

The Chamber is in support of S.B. 497. In 2015 when the commerce tax was created, our members were concerned about the filing requirement for small businesses. The Retail Association of Nevada asked me to add their name to the record in support of S.B. 497.

MENDY ELLIOTT (Reno Sparks Chamber of Commerce):

The Reno Sparks Chamber of Commerce has 1,700 members, of which 70 percent are small businesses. We appreciate the bill and are in support of S.B. 497.

CHAIR DONDERO LOOP:

I will accept a motion on S.B. 497.

SENATOR SEEVERS GANSERT MOVED TO DO PASS S.B. 497.

SENATOR RATTI SECONDED THE MOTION.

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THE MOTION CARRIED UNANIMOUSLY.

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CHAIR DONDERO LOOP:

Having no further business, this meeting is adjourned at 2:18 p.m.

RESPECTFULLY SUBMITTED:

Barbara Williams,
Committee Secretary

APPROVED BY:

Senator Marilyn Dondero Loop, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	1		Attendance Roster