Section 6: Identification and Review of Revenue Alternatives

Governor's Task Force on Tax Policy in Nevada

November 15, 2002

Table of Contents

Identification and Review of Revenue Alternatives

Introduction

Assembly Concurrent Resolution 1 ("ACR 1") required that, at its first meeting, the Task Force, "[i]dentify the specific taxes to be reviewed, with consideration given to the review of such taxes as those on *gross receipts*, *mining*, *property*, *sales or services*, *business profits*, *employees of businesses*, *slot route operators*, and *car rental companies*"[1] (emphasis added). In accordance with ACR 1, the Task Force identified a number of potential revenue sources at its first meeting. They are listed in the table below.[2]

- **Gross receipts taxes on businesses**
- **Taxes on sales or services**
- **Property taxes, including consideration of a split roll**
- **Taxes imposed on slot route operators**
- **Short-term car rental tax**
- **Fuel taxes**
- **Franchise fees on utilities**
- **State lottery**
- **Special energy charges**

In addition to the levies listed above, the group also agreed to consider "[a]ny other tax the Task Force may deem appropriate." Throughout its proceedings, more than 30 revenue alternatives were considered. They included:[3]

- **Admissions and amusement tax**
- **Gross gaming tax**
- **Property tax rate adjustments**
- **Business license tax**
- **Gross business receipts tax**
- **Property tax assessment rates**

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[1] Nevada Assembly Concurrent Resolution 1, Cl. 9. June 2001.

[2] Governor's Task Force on Tax Policy, *Meeting Minutes*, December 12, 2001. (Noting motion presented that the task force consider all revenues set forth in ACR 1: gross receipts, mining, taxes on property, sales or service, business profits, employees of businesses, slot route operators, car rental companies. The task force should also consider: the possibility of a split roll for property tax, the special energy tax, the fuel tax, the possibility of a lottery in the State, the ability to impose franchise fees on utilities, and any other tax the Task Force may deem appropriate. The motion was unanimously carried).

[3] Governor's Task Force on Tax Policy, *Meeting Minutes*, December 12, 2001 through November 13, 2002.

- **Cigarette tax**
- **Commercial lease tax**
- **Corporate filing fees**
- **Estate tax**
- **Federal funds**
- **Franchise taxes and fees**
- **Special energy tax**
- **Government services tax**
- **Inheritance tax**
- **Inventory tax**
- **Liquor tax**
- **Net proceeds of mines tax**
- **Net business profits tax**
- **Payroll tax**
- **Split roll for property tax assessment**
- **Personal income tax**
- **Property tax assessment depreciation**
- **Retail sales and use tax rates**
- **Retail sales and use tax base**
- **Retail sales and use tax exemptions**
- **Rental tax**
- **Short-term car rental tax**
- **State lottery**
- **Slot route operators tax**

To gather information on these potential revenue sources, the Task Force directed its technical working group to create a comparative database. The Task Force asked that potential revenues be subdivided into two groups: 1) modifications to existing sources and 2) new sources of revenue. It further requested that the sources be compared and contrasted based on their general, economic, and qualitative characteristics. General characteristics were to include items such as the sources' descriptions, rates, and revenue distributions. Economic elements were to include items such as revenue productivity, historical growth rates, and elasticity. Finally, qualitative considerations were to include elements such as uniformity, simplicity, transparency, regressivity, ease of administration, stability, and other similar criteria.

Pursuant to the request of the Task Force, the technical working group developed the requested database. Each of the analysis elements used to compare and contrast alternative revenue sources is defined briefly in the sections that follow, with supporting materials provided in appendices 6A through 6C. Exhibits 6A-1 and 6A-2 summarize the technical working group's overview, and Exhibits 6B and 6C provide greater detail relating to existing and new revenue sources, respectively.

[4] Please see *Section 7: Fiscal Recommendations*.

It should be noted that this analysis was undertaken *for informational purposes only*. The sole intent was to familiarize Task Force members with the State's existing levies and to provide a framework to compare and contrast alternative revenue sources. The mere fact than an individual source "scores" higher than another in any particular area, or collectively, does not mean, and should not be interpreted to imply, that one source is superior to any other. Moreover, not all of the information collected, analyzed, or considered by the technical working group could be included in this summary document.

General Characteristics

The review of general characteristics was largely an exercise in cataloging the basic elements of each major revenue source. This could not have been done without the expertise and assistance of the Nevada Taxpayers Association. Elements considered included the following:

- **Description**: A brief overview of each levy's application, including information on the basis and imposition.
- **Legal reference**: Nevada Revised Statutes and Constitutional references for each levy.
- **Rate and application**: The levy's specific rates and the basis upon which the rate is imposed for each.
- **Exemptions**: Items or transactions upon which the levy does not apply.
- **Requirements to change**: A brief overview of the legislative process required to change an element of the levy in question.
- **Status**: Idenficiation of whether the tax is an existing or new source of revenue.
- **Distribution**: Identification of the political subdivision (i.e., state, county, or local) to which the levy inures.
- **Collection procedure**: A brief overview of how, when, and to whom each levy must be remitted.

- **Statutory limitations**: The limitations which restrict how and by whom a levy may be altered.

Economic Elements

Economic elements include factors relating to revenue generation from each particular source. The data reported are specific to FY 2000-01,[5] because, at the time this report was drafted, information was either incomplete or unavailable for FY 2001-02.[6] A brief description of each element is provided in the bullets that follow.

- **Total revenue (2001)**: The total collections for each revenue source for FY 2000-01. Where sufficient data were available, total collections were estimated for new revenue sources.

- **Allocation breakdown**: Enumerates how the levy was distributed among political subdivisions in FY 2000-01.

- **Growth rate (91-01)**: Where the revenue source existed in FY 1990-91, the compound annual growth rate in State general fund collections between FY 1990-91 and FY 2000-01. It is important to note that this estimate includes only the general fund portion of the levy and has not been adjusted for any change in a levy's rate, base, or application during the period.

- **Forecast determinants**: Variables which tend to have a close relationship to the subject levy. For example, visitor volume is closely related to gross gaming revenue collections.

- **Dependence on growth**: Assignment of a high, moderate, or low rating for whether a specific levy is directly impacted by growth.

- **Marginal generating ability**: An estimate of each tax's marginal increase at theoretical thresholds (i.e., revenue generated per 0.25% increase in the rate or $1 increase in the levy).

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[5] FY 2000-01 data was provided by the Nevada Department of Taxation, the Legislative Counsel Bureau, and the Nevada Gaming Control Board.

[6] FY 2001-02 figures are reported in *Section 4: General Fund Outlook*, Exhibit 4-1 and 4A-1.

- **Inflation adjustment**: General comment as to a levy's ability to keep pace with inflation. Levies that are unit-based (i.e., $1 per tire) tend to erode over time, while other levies (i.e., retail sales and use tax) reflect changes in prices.

- **Elasticity calculations**: Elasticity is generally defined as the percent change in one variable resulting in a one percent change in another variable.[7] We have included elasticity estimates based on Nevada's aggregate income and state gross product. Thus, if total collections for X tax where to have increased by 150 percent between FY 1990-91 and FY 2000-01, and total income earned by all Nevadans increased by 100 percent, then X tax would have elasticity of 1.5. In other words, for every one percent change in income, collections in X tax increase by 1.5 percent. These data include only general fund collections; and as such, they should be read with caution.

Qualitative Considerations

There are a number of considerations that impact fiscal decision making. While revenue generation is perhaps most critical, issues such as fairness, stability, uniformity and ease of compliance and administration are all important factors. Our qualitative analysis included 14 elements. They are described briefly below.

- **Predictability**: Relates to the ability to reasonably forecast the revenues generated by a source, group of sources, or source component for periods in the future. It is generally desirable that a levy lend itself to fiscal projections.

- **Transparency:** Relates to the ability of the person or business paying the tax to readily calculate their individual tax burden. It is considered generally desirable that levies not be hidden so that individuals or businesses may be able to readily ascertain the amount paid for government services.

- **Stability**: It is generally desirable that sources of government revenue lack volatility. The ability of a source to provide equal returns during economic ups and downs is considered a highly beneficial characteristic.

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[7] Mankin, G.N. *Macroeconomics*, 2nd Ed. Harvard University. Worth Publishers, 1994.

- **Uniformity**: It is generally desirable that a revenue source be consistently applied across the economy and particularly within any single segment of the economy.

- **Equity (vertical)**: It is generally desirable that individuals who are better able to pay higher taxes bear a higher share of the overall tax burden. Vertical equity is sometimes also referred to as a measure of regressivity. Where an individual's tax burden *increases* with wealth, that tax is said to be *progressive*. When an individual's tax burden *decreases* with wealth, the tax is *regressive*. This having been said, in the case of benefit taxes, where individuals are charged in accordance with a specific benefit derived from a public good or service, vertical equity may apply to a lesser degree.

- **Equity (horizontal)**: It is generally considered desirable that individuals and/or businesses who are the same in all relevant aspects be treated equally. Thus, two families earning $35,000 per year should bear relatively similar tax burdens; likewise, two businesses earning $350,000 per year should bear relatively similar tax burdens.

- **Ease of compliance**: It is generally desirable that taxes and fees be relatively easy to comply with.

- **Ease of administration**: A generally desirable characteristic of taxes and fees is that they can be administered and enforced in a low-cost manner.

- **Intrastate competitiveness**: It is generally desirable that the tax structure across and among the jurisdictions of any political subdivision (i.e., a state) limit the extent to which any two entities (i.e., two counties or cities) have adversarial interest with regard to any revenue sources or set of sources.

- **Interstate competitiveness**: It is generally desirable that a state's taxes and fees, individually and/or taken in whole, be competitive with other states. This is particularly true of surrounding states where taxpayers may be able to venue shop for a lower tax.

- **Economic neutrality**: It is generally desirable that imposed taxes and fees minimize distortions in economic decision-making.

- **Flexibility**: It is generally desirable that a tax be able to adapt to the changing needs of the political subdivision imposing the levy.

- **Integration**: It is generally desirable that a new or expanded revenue system element fit well within the existing public revenue architecture. Economies of scale are favored. Note that this consideration does not apply to existing sources of revenue.

- **Exportability:** It is generally desirable that, where possible and appropriate, a portion of the revenue burden be paid by businesses and individuals from outside the state.

Summary Scoring Analysis

To review all of the revenue alternatives more easily, each was given a "score" of 1 to 10 for each of the elements listed above. They were then tabled so that all the sources could be viewed together. These analyses are summarized in Exhibits 6A-1 and 6A-2. The scales were designed such that 1 was the lowest score and 10 the highest score. A table summarizing the scoring regime is provided on the following page. The summary scoring analysis also includes consideration of both weighted and un-weighted averages. Some believed that certain criteria, such as revenue generation, should be illustrated as a more significant consideration. The exhibits provide totals with and without this weighting added.

As noted previously, this analysis was undertaken *for informational purposes only*. The sole intent was to familiarize Task Force members with the State's existing levies and to provide a framework to compare and contrast alternative revenue sources. The mere fact than an individual source "scores" higher than another in any particular area, or collectively, does not mean, and should not be interpreted to imply, that one source is superior to any other. Moreover, not all of the information collected, analyzed, or considered by the technical working group could be included in this summary document.

Exhibit 6-1: Qualitative Scoring Summary
Score Reference Table

Score	Predictability	Transparency	Stability	Uniformity
0	n/a	n/a	n/a	n/a
1	Highly unpredictable.	Highly non-transparent.	Highly unstable.	Highly non-uniform.
2	Relatively unpredictable.	Relatively non-transparent.	Relatively unstable.	Relatively non-uniform.
3	Relatively unpredictable.	Relatively non-transparent.	Relatively unstable.	Relatively non-uniform.
4	Moderately unpredictable.	Moderately non-transparent.	Moderately unstable.	Moderately non-uniform.
5	Moderately unpredictable.	Moderately non-transparent.	Moderately unstable.	Moderately non-uniform.
6	Moderately predictable.	Moderately transparent.	Moderately stable.	Moderately uniform.
7	Moderately predictable.	Moderately transparent.	Moderately stable.	Moderately uniform.
8	Relatively predictable.	Relatively transparent.	Relatively stable.	Relatively uniform.
9	Relatively predictable.	Relatively transparent.	Relatively stable.	Relatively uniform.
10	Highly predictable.	Highly transparent.	Highly stable.	Highly uniform.

Score	Horizontal Equity	Vertical Equity	Interstate competitiveness	Intrastate competitiveness
0	n/a	n/a	n/a	n/a
1	Highly inequitable (horizontally).	Highly inequitable (vertically).	Levy is not competitive with other jurisdictions.	Considerable competition among jurisdictions within the state.
2	Relatively inequitable (horizontally).	Relatively inequitable (vertically).	Levy is substantially higher or lower than in other jurisdictions.	Considerable competition among jurisdictions within the state.
3	Relatively inequitable (horizontally).	Relatively inequitable (vertically).	Levy is substantially higher or lower than in other jurisdictions.	Competition among jurisdictions within the state.
4	Moderately inequitable (horizontally).	Moderately inequitable (vertically).	Levy is moderately higher or lower than in other jurisdictions.	Competition among jurisdictions within the state.
5	Moderately inequitable (horizontally).	Moderately inequitable (vertically).	Levy is moderately higher or lower than in other jurisdictions.	Limited competition among jurisdictions within the state.
6	Moderately equitable (horizontally).	Moderately equitable (vertically).	Levy differs with other jurisdictions, but is relatively competitive.	Limited competition among jurisdictions within the state.
7	Moderately equitable (horizontally).	Moderately equitable (vertically).	Levy differs with other jurisdictions, but is relatively competitive.	Limited competition among jurisdictions within the state.
8	Relatively equitable (horizontally).	Relatively equitable (vertically).	Levy is quite competitive with other jurisdictions.	Some indirect competition among jurisdictions within the state.
9	Relatively equitable (horizontally).	Relatively equitable (vertically).	Levy is quite competitive with other jurisdictions.	Some indirect competition among jurisdictions within the state may exist.
10	Highly equitable (horizontally).	Highly equitable (vertically).	Levy is competitive with other jurisdictions.	No competition among jurisdictions within the state.

Score	Economic neutrality	Flexibility	Integration	Exportability
0	n/a	n/a	Existing source. Integration is a non-issue.	n/a
1	Heavily distorts economic decision making.	Highly inflexible.	Extremely difficult to integrate.	One hundred percent of source generated by local residents and businesses.
2	Substantial impacts on economic decision making.	Relatively inflexible.	Relatively difficult to integrate.	Relatively high share of source generated by local residents and businesses.
3	Substantial impacts on economic decision making.	Relatively inflexible.	Relatively difficult to integrate.	Relatively high share of source generated by local residents and businesses.
4	Some impacts on economic decision making	Moderately inflexible.	Moderately difficult to integrate.	Moderate share of source generated by local residents and businesses.
5	Some impacts on economic decision making	Moderately inflexible.	Moderately difficult to integrate.	Moderate share of source generated by local residents and businesses.
6	Limited impacts on economic decision making.	Moderately flexible.	Moderately easy to integrate.	Moderate share of source generated by non-local residents and businesses.
7	Limited impacts on economic decision making.	Moderately flexible.	Moderately easy to integrate.	Moderate share of source generated by non-local residents and businesses.
8	Few if any impacts on economic decision making.	Relatively flexible.	Relatively easy to integrate.	Relatively high share of source generated by non-local residents and businesses.
9	Few if any impacts on economic decision making.	Relatively flexible.	Relatively easy to integrate.	Relatively high share of source generated by non-local residents and businesses.
10	No impacts on economic decision making.	Highly flexible.	Extremely easy to integrate.	One hundred percent of source generated by non-local residents and businesses.

Score	Ease of Administration	Ease of Compliance
0	n/a	n/a
1	Highly difficult to administer.	Highly difficult to comply.
2	Relatively difficult to administer.	Relatively difficult to comply.
3	Relatively difficult to administer.	Relatively difficult to comply.
4	Moderately difficult to administer.	Moderately difficult to comply.
5	Moderately difficult to administer.	Moderately difficult to comply.
6	Moderately easy to administer.	Moderately easy to comply.
7	Moderately easy to administer.	Moderately easy to comply.
8	Relatively easy to administer.	Relatively easy to comply.
9	Relatively easy to administer.	Relatively easy to comply.
10	Highly easy to administer.	Highly easy to comply.

Appendix 6:
Supporting Exhibits

Governor's Task Force on Tax Policy in Nevada

November 15, 2002

Appendix 6A:
Summary Tables

Governor's Task Force on Tax Policy in Nevada

November 15, 2002

Exhibit 6A-1: Comparative Analysis of Revenue Sources
Quantitative and Qualitative Characterists Score Comparison
Existing Sources of Revenue

Revenue Source	Revenue Generation	Predictability	Transparency	Stability	Uniformity	Equity		Ease of Admin.	Ease of Compliance	Economic Neutrality	Flexibility	Competitiveness		Integration	Exportability	Average Score / Revenue	Weighted Score / Indexed Revenue
						Vertical	Horizontal					Intrastate	Interstate				
Net Proceeds of Mines	5	4	9	3	9	8	7	8	9	8	9	9	7	0	4	**7.1** / **$29,846,138**	**6.3** / **$26,547,849**
State Sales and Use Tax	10	8	7	7	8	4	8	8	7	8	7	9	6	0	7	**7.4** / **$633,574,193**	**7.9** / **$713,678,514**
Local School Support Tax (LSST)	10	8	7	7	8	4	8	8	7	8	7	9	6	0	7	**7.4** / **$705,352,676**	**7.9** / **$794,532,125**
Basic City-County Relief Tax (BCCRT)	10	8	7	7	8	4	8	8	7	8	7	7	6	0	7	**7.3** / **$156,766,327**	**7.9** / **$175,386,311**
Supplemental City-County Relief Tax (SCCRT)	10	8	7	7	8	4	8	8	7	8	7	7	6	0	7	**7.3** / **$548,651,755**	**7.9** / **$613,818,090**
County Option Sales Tax	10	8	7	7	8	4	8	8	7	8	7	9	6	0	7	**7.4** / **$215,032,084**	**7.9** / **$242,219,112**
Pari-Mutuel Wagering Tax	2	2	8	2	6	8	7	8	9	7	9	9	7	0	7	**6.5** / **$3,609**	**5.3** / **$2,703**
Racing Fees	2	2	8	2	6	8	7	8	9	7	9	9	7	0	8	**6.6** / **$14,347**	**5.4** / **$10,904**
Advance License Fee	4	4	8	2	6	8	5	8	9	7	9	9	7	0	9	**6.8** / **$8,362,370**	**6.0** / **$7,120,464**
Gaming Percentage Fee	9	7	4	6	6	7	5	8	8	7	9	9	7	0	9	**7.2** / **$564,990,960**	**7.7** / **$614,713,293**
Slot Route Operators Fee	2	8	8	6	6	3	6	8	9	7	9	9	7	0	7	**6.8** / **$34,000**	**5.5** / **$26,690**
Gaming Information Systems Fees	2	8	8	7	6	3	6	8	9	7	9	9	7	0	7	**6.9** / **$18,000**	**5.6** / **$14,326**
Equipment Manufactures & Distributors License Fee	3	8	8	7	6	3	6	8	9	7	9	9	7	0	5	**6.8** / **$164,000**	**5.7** / **$133,621**
Slot Machine Excise Tax	6	8	8	7	5	3	6	8	9	7	9	9	7	0	5	**6.9** / **$55,897,656**	**6.6** / **$52,225,068**
Non-restricted Slot License Fee	5	5	8	7	6	3	6	7	9	7	9	9	7	0	5	**6.6** / **$15,674,070**	**6.1** / **$13,526,319**
Restricted Slot License Fee	4	8	8	7	6	3	6	8	9	7	9	9	7	0	4	**6.8** / **$6,544,298**	**6.0** / **$5,528,782**
Racing Wire Fees	2	4	8	6	6	7	6	8	9	7	9	9	7	0	5	**6.6** / **$71,990**	**5.4** / **$55,266**
Flat Fee on Games (Quarterly Fees)	4	4	8	7	6	5	6	8	9	7	9	9	7	0	5	**6.7** / **$7,297,760**	**5.9** / **$6,147,734**
Casino Entertainment Tax	6	7	8	7	5	6	6	6	6	6	9	9	3	0	8	**6.6** / **$63,919,196**	**6.3** / **$57,199,916**
Insurance Premium Tax	7	8	8	9	8	8	8	9	8	8	9	9	7	0	3	**7.8** / **$146,917,892**	**7.5** / **$155,389,333**
Liquor Tax	5	7	7	6	7	2	8	8	8	8	9	8	5	0	4	**6.6** / **$18,877,492**	**6.0** / **$16,079,326**
Cigarette Tax	6	7	7	6	8	2	8	7	8	8	9	8	5	0	4	**6.6** / **$60,757,050**	**6.3** / **$53,904,962**

Exhibit 6A-1: Comparative Analysis of Revenue Sources
Quantitative and Qualitative Characterists Score Comparison
Existing Sources of Revenue

Revenue Source	Revenue Generation	Predictability	Transparency	Stability	Uniformity	Equity		Ease of Admin.	Ease of Compliance	Economic Neutrality	Flexibility	Competitiveness		Integration	Exportability	Average Score / Revenue	Weighted Score / Indexed Revenue
						Vertical	Horizontal					Intrastate	Interstate				
Tax on Other Tobacco Products	4	7	7	6	8	2	8	7	8	8	9	8	5	0	4	**6.5** / **$5,602,823**	**5.7** / **$4,508,569**
Jet Fuel Tax	5	6	6	7	8	7	8	8	9	8	9	9	7	0	6	**7.4** / **$12,455,419**	**6.7** / **$11,894,929**
Special Drug Manufacturing Tax	2	2	8	4	6	6	7	8	9	8	9	9	7	0	6	**6.5** / **$2,692**	**5.3** / **$2,012**
Business License Tax	6	8	9	7	6	6	5	8	8	8	9	9	3	0	3	**6.8** / **$77,270,722**	**6.4** / **$69,783,400**
Business License Fee	3	5	9	4	6	3	8	8	7	9	9	9	6	0	3	**6.4** / **$523,032**	**5.2** / **$386,766**
Short-Term Car Rental Fee	4	6	7	7	7	8	8	8	8	8	9	9	5	0	9	**7.4** / **$8,288,217**	**6.6** / **$7,702,531**
Property Tax	10	9	9	9	8	7	7	6	8	7	9	9	5	0	2	**7.5** / **$1,509,326,840**	**7.8** / **$1,678,110,893**
Gasoline Tax	8	8	7	8	7	5	8	8	8	8	3	9	7	0	4	**7.0** / **$306,184,219**	**7.3** / **$316,067,681**
Tax on Special Fuel	6	7	7	8	7	5	8	8	8	8	3	9	7	0	4	**6.8** / **$69,853,848**	**6.6** / **$65,779,372**
Petroleum Products Cleanup Fee	3	7	7	7	8	5	8	8	8	8	3	9	7	0	4	**6.6** / **$544,169**	**5.7** / **$441,440**
Governmental Services Tax (formerly Motor Vehicle Privilege Tax)	7	7	8	7	8	5	8	8	8	7	9	10	4	0	2	**7.0** / **$222,670,808**	**6.7** / **$212,145,505**
Estate Tax	6	7	6	7	9	8	8	8	8	8	2	10	8	0	2	**6.9** / **$42,126,902**	**6.7** / **$39,974,346**
Real Property Transfer Tax	0	7	7	4	9	5	7	8	8	8	9	8	7	0	4	**6.5**	**4.7**
Tire Tax	4	8	8	7	3	5	8	8	8	9	4	9	7	0	2	**6.4** / **$1,336,799**	**5.9** / **$1,110,784**
Commercial Filings (Incorporation fees, also includes revenues for business trusts)	5	4	7	4	8	6	6	8	7	9	9	9	5	0	6	**6.6** / **$21,753,797**	**6.0** / **$18,486,098**
Commercial Filings (Limited liability companies)	3	6	7	5	8	4	9	8	7	9	9	9	5	0	6	**6.8** / **$796,170**	**5.7** / **$639,546**
Commercial Filings (Limited partnerships)	3	6	7	5	8	4	9	8	7	9	9	9	5	0	6	**6.8** / **$355,646**	**5.7** / **$285,683**
Commercial Filings (Limited liability partnerships)	2	6	7	5	8	4	9	8	7	9	9	9	5	0	6	**6.7** / **$8,210**	**5.4** / **$6,256**
Securities	4	6	7	5	7	5	7	8	8	7	8	9	5	0	2	**6.3** / **$9,613,025**	**5.5** / **$7,516,103**
Financial Institution Fees	4	6	7	6	7	5	7	8	8	7	8	9	5	0	2	**6.4** / **$1,626,149**	**5.6** / **$1,289,186**
Athletic Commission Fees	4	4	7	3	5	7	6	8	8	7	8	9	7	0	2	**6.1** / **$2,853,655**	**5.4** / **$2,169,268**
Civil Action Fees	4	6	7	4	7	5	7	8	9	7	8	9	7	0	2	**6.4** / **$1,215,362**	**5.6** / **$970,069**

Exhibit 6A-1: Comparative Analysis of Revenue Sources
Quantitative and Qualitative Characterists Score Comparison
Existing Sources of Revenue

Revenue Source	Revenue Generation	Predictability	Transparency	Stability	Uniformity	Equity		Ease of Admin.	Ease of Compliance	Economic Neutrality	Flexibility	Competitiveness		Integration	Exportability	Average Score / Revenue	Weighted Score / Indexed Revenue
						Vertical	Horizontal					Intrastate	Interstate				
State Engineer Sales	4	6	7	5	7	5	7	8	8	7	8	9	5	0	2	**6.3** / **$1,588,378**	**5.5** / **$1,241,900**
Court Administration Assessments	4	6	7	4	7	5	7	8	8	7	8	9	5	0	2	**6.2** / **$2,808,754**	**5.4** / **$2,165,404**
AVERAGES/TOTALS - DEFINITION 1 (6)	**4.98**	**6.33**	**7.41**	**5.87**	**6.96**	**5.09**	**7.15**	**7.87**	**8.07**	**7.65**	**8.00**	**8.87**	**6.09**	**0.00**	**4.89**	**6.8** / **$5,537,573,499**	**6.0** / **$5,990,938,447**
AVERAGES/TOTALS - DEFINITION 2 (7)	**9.17**	**8.01**	**7.36**	**7.50**	**7.62**	**5.43**	**7.30**	**7.44**	**7.59**	**7.55**	**7.72**	**8.78**	**5.78**	**0.00**	**5.13**	**6.8** / **$5,537,573,499**	**7.1** / **$5,990,938,447**

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

(2) Score are assigned on a relative scale with 10 being the highest positive score and 1 being the lowest negative score.

(3) Average score is assigned by adding the each score for a source and deviding by 14. Note that integration is not included in the calculation.

(4) Weighted average scores are calculated by assigning the following weights to each of the individual scores assigned: Economic Productivity (29.1%); Predictibility (5.7%); Transparency (2.9%); Stability (7.7%); Uniformity (3.0%); Vertical Equity (6.6%); Horizonatal Equity (6.5%); Ease of Administration (7.1%); Ease of Compliance (8.4%); Intrastate Competitiveness (2.7%); Interstate Competitiveness (5.4%); Economic Neutrality (4.6%); Flexibility (2.4%); Integration (0%); Exportability (7.9%).

(5) Indexed revenue was calculated by dividing the sources indexed score by the average indexed score for all sources and multiplying the result by the actual revenue generated.

(6) Definition 1 reports straight averages for each criteria. In other words, the total of all scores is divided by the number of sources. This is true also for the weighted average score, which is essentially the average of the averages.

(7) Definition 2 reports an average score weighted by the amount of revenue each source contributes to the reviewed total. A higher score in this row reflects the extent to which Nevada's fiscal system "relies" on each criteria. For example, if more revenues are generated by highly stable sources of revenue, the weighted average score would be higher than the straight average.

Exhibit 6A-2: Comparative Analysis of Revenue Sources
Quantitative and Qualitative Characterists Score Comparison
Sources Proposed for Reveiw

Revenue Source	Revenue Generation	Predictability	Transparency	Stability	Uniformity	Equity		Ease of Admin.	Ease of Compliance	Economic Neutrality	Flexibility	Competitiveness		Integration	Exportability	Average Score	Weighted Score
						Vertical	Horizontal					Intrastate	Interstate			Revenue	Indexed Revenue
Gross Receipts Tax of One Percent on All Businesses	10	8	5	8	9	3	3	7	9	3	9	9	3	6	3	**6.3**	**7.0**
																$1,188,863,390	**$1,266,593,078**
Gross Receipts Tax of One Percent on All Businesses not Currently Subject to an Industry Specific Business Tax	10	9	5	8	8	3	3	7	9	3	9	9	2	6	3	**6.3**	**7.0**
																$959,858,869	**$1,021,446,523**
Gross Receipts Tax of 0.25 Percent on All Businesses With a Standard Deduction of Approximately $300,000 and a One-for-One Credit For Paid Business License Tax	8	9	5	8	7	7	3	7	9	6	9	9	6	6	4	**6.9**	**7.0**
																$178,000,000	**$189,773,443**
Net Profits Tax of Five Percent on All Businesses	8	4	7	3	9	9	7	3	5	5	9	9	7	5	5	**6.3**	**6.4**
Doubling the Businesses Activity Tax from $25 Per Full-time Equivalent Employee Per Quarter to $50 Per Full-time Equivalent Employee Per Quarter	6	8	9	7	8	6	5	8	8	6	9	9	6	8	3	**7.1**	**6.4**
																$77,270,722	**$75,297,826**
Two-Percent Tax on Leased Commercial/Income Producing Property	6	6	7	7	6	4	5	7	7	4	9	9	3	6	3	**5.9**	**5.7**
Doubling All State Corporate Filing Fees (including incorporation fees)	5	6	7	5	8	5	6	8	7	7	9	9	7	8	6	**6.9**	**6.0**
																$22,913,823	**$21,034,207**
Implementing a One Percent Payroll Tax	8	7	9	7	8	6	5	8	8	6	9	9	5	6	3	**6.9**	**6.9**
																$306,031,929	**$321,287,164**
Doubling the Estate Tax (Pick-Up Tax)	6	7	4	6	9	8	8	8	7	8	9	9	5	8	2	**6.9**	**6.3**
Extending the Estate Tax to "Make-Up" for Federal Elimination of the Tax	6	6	4	7	9	8	8	8	7	8	9	9	5	8	2	**6.9**	**6.3**
Doubling the State's Excise Taxes on Liquor	5	7	7	7	7	2	8	8	8	7	9	8	7	8	4	**6.8**	**6.0**
																$18,877,492	**$17,326,101**
Doubling the State's Excise Tax on Cigarettes	6	7	7	7	8	2	8	8	8	7	9	8	8	8	4	**7.0**	**6.4**
																$60,757,050	**$59,233,542**
Doubling the State's Excise Tax on Other Tobacco Products	4	7	7	7	8	2	8	8	8	7	9	8	7	8	4	**6.8**	**5.7**
																$5,602,823	**$4,895,790**
Doubling the Gasoline Tax	8	8	7	8	7	5	8	8	9	5	9	9	2	8	4	**7.0**	**7.1**
																$306,184,219	**$329,886,546**
One-Point Increase in the Top Tier of the Tax of Gross Gaming Win	2	7	8	6	6	7	6	8	8	7	9	9	7	8	9	**7.1**	**5.7**
																$87,661,098	**$76,398,707**
Doubling the Fees Charged to Slot on Route Operators	2	8	8	6	6	3	6	8	9	7	9	9	7	8	6	**6.8**	**5.3**
																$34,000	**$27,457**
Making Restricted Slot Machines Subject to Gross Gaming Win Fee	4	7	8	7	7	7	7	5	6	7	9	9	7	7	5	**6.8**	**5.8**
Implementation of a State Lottery	7	7	7	7	8	3	8	6	9	8	9	9	8	5	6	**7.1**	**7.0**
Doubling of the State Transient Lodging Tax from One Percent to Two Percent	5	6	7	6	8	8	8	8	9	7	9	7	6	8	9	**7.4**	**6.8**
																$34,801,787	**$35,890,032**
Expansion of the Property Tax, Raising Cap from $3.64 to $5.00 Constitutional Maximum	9	9	9	9	8	7	7	6	8	6	9	9	4	8	2	**7.3**	**7.5**
																$972,171,069	**$1,105,018,832**
Revising and Expanding the Property Tax Such that Residential Property Would be Taxed at the Current Rates and Commercial and Industrial Property Would be Taxed at the Constitutional Maximum of $5.00.	8	8	8	9	8	7	7	6	8	7	9	9	8	8	2	**7.5**	**7.3**
																$300,695,453	**$333,085,336**
Elimination of the Property Tax Depreciation Rate	6	8	9	9	9	7	7	6	8	8	9	9	7	8	2	**7.5**	**6.7**

Exhibit 6A-2: Comparative Analysis of Revenue Sources
Quantitative and Qualitative Characterists Score Comparison
Sources Proposed for Reveiw

Revenue Source	Revenue Generation	Predictability	Transparency	Stability	Uniformity	Equity		Ease of Admin.	Ease of Compliance	Economic Neutrality	Flexibility	Competitiveness		Integration	Exportability	Average Score	Weighted Score
						Vertical	Horizontal					Intrastate	Interstate			Revenue	Indexed Revenue
Expansion of the State Retail Sales and Use Tax to Include All Services	10	9	7	8	9	2	8	8	7	5	9	9	4	8	7	**7.3**	**7.8**
																$1,462,935,520	**$1,747,503,788**
Expansion of Retail Sales and Use Tax to Include Admissions and Amusements Expenditures	9	8	7	8	7	5	8	7	7	8	9	9	7	8	7	**7.6**	**7.8**
																$36,000,000	**$42,947,850**
Creation of a State Admissions and Amusement Transaction Tax	9	7	8	6	7	8	8	7	7	7	9	9	7	7	7	**7.5**	**7.8**
																$117,000,000	**$138,689,648**
Implementation of a Franchise Fees on Utilities	4	7	8	9	7	3	6	8	8	6	7	7	7	7	3	**6.5**	**5.6**
Doubling the Net Proceeds of Mines Tax	5	7	9	5	6	8	7	8	8	5	9	9	4	8	5	**6.9**	**6.1**
																$29,846,138	**$27,888,737**
Doubling the Short-Term Car Rental Fee	5	6	7	7	7	8	8	8	8	6	9	9	5	8	9	**7.3**	**6.7**
																$8,288,217	**$8,486,804**
AVERAGES/TOTALS - DEFINITION 1 (6)	**6.46**	**7.25**	**7.14**	**7.04**	**7.64**	**5.46**	**6.64**	**7.21**	**7.82**	**6.29**	**8.93**	**8.75**	**5.75**	**7.32**	**4.61**	**6.9**	**6.5**
																$6,173,793,599	**$6,822,711,411**

Notes:

(1)This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

(2) Score are assigned on a relative scale with 10 being the highest positive score and 1 being the lowest negative score.

(3) Average score is assigned by adding the each score for a source and deviding by 14. Note that integration is not included in the calculation.

(4) Weighted average scores are calculated by assigning the following weights to each of the individual scores assigned: Economic Productivity (31.0%); Predictibility (5.7%); Transparency (4.1%); Stability (8.6%); Uniformity (2.1%); Vertical Equity (6.4%); Horizonatal Equity (6.4%); Ease of Administration (5.1%); Ease of Compliance (6.7%); Intrastate Competitiveness (2.0%); Interstate Competitiveness (4.4%); Economic Neutrality (4.2%); Flexibility (2.4%); Integration (1.2%); Exportability (9.6%).

(5) Indexed revenue was calculated by dividing the sources indexed score by the average indexed score for all sources and multiplying the result by the actual revenue generated.

(6) Definition 1 reports straight averages for each criteria. In other words, the total of all scores is divided by the number of sources. This is true also for the weighted average score, which is essentially the average of the averages.

Appendix 6B: Detailed Review of Existing Revenue Sources

Governor's Task Force on Tax Policy in Nevada

November 15, 2002

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Net Proceeds of Mines

REVENUE: Net Proceeds of Mines
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Property/Mining Taxes

GENERAL INFORMATION

Description:	Gross yield, less specified allowable deductions, determines net proceeds.	Status:	Existing source
Legal Reference:	NRS 362 - Nevada Constitution Art. 10, Sec. 1		
Rate and Application:	Royalties taxed at 5 percent rate. Geothermal proceeds taxed at combined tax rate. The rate of tax upon each geographically separate operation depends upon the ratio of the net proceeds to gross proceeds of the operation as a whole. If the combined property tax rate is greater than 2 percent, the combined property tax rate is the minimum. If the net proceeds total $4 million, the rate is 5 percent. If less than $4 million: Less than 10 - 2.0 percent; 10 or more but less than 18 - 2.5 percent; 18 or more but less than 26 - 3.0 percent; 26 or more but less than 34 - 3.5 percent; 34 or more but less than 42 - 4.0 percent; 42 or more but less than 50 - 4.5 percent; 50 or more 5.0 percent.	Distribution:	County, city, town, school district and special districts receive the proceeds of their tax rate times the net proceeds. The remainder is State general fund revenue.
Exemptions:	If $100 in development work was not performed on a patented mining claim, county or State Board of Equalization shall strike assessment from tax roll. No exemptions from net proceeds.	Collection Procedure:	Department of Taxation assesses and certifies net proceeds and collects and distributes tax. All operators and royalty recipients must report actual net proceeds annually.
Requirements to Change:	Legislature has authority to increase rates within the $5.00 Constitutional limit. Any increase would require a 2/3-majority approval in both houses of the Legislature. A change in the $5.00 Constitutional limit would require an amendment to the Constitution.	Statutory Limitations:	Constitutional Limit of 5 percents of the net proceeds. The rate of tax which varies from 2-5 percent of net proceeds, depending upon the percent that net proceeds are of gross proceeds. The legislature has the authority to increase rates within the Constitutional 5 percent limit.

ECONOMICS

Total Revenue (2001):	$29,846,138	Growth Rate (91-01):	-4.8%
Allocation Breakdown:	State General Fund $14,627,693; Other State Funds $15,218,449	Forecast Determinates:	Mining Employment
		Dependence on Growth:	Low

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Net Proceeds of Mines

Generating Ability: n/a
Per: n/a

Elasticity Calculations:
Base: Gross State Product (0.362)
Base: Income (0.301)

Inflation Adjustment: Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 5

Comments:

Source generates more than $10 million but less than $30 million annually. It is considered moderately productive when compared the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 9

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue for a depleatable resource.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Generally, horizontally equitable. Businesses earning the same amount of revenue generally incur the same level of taxation. Again, in a broad sense equity is not achieved as non-mining business earning equal revenues pay no similar taxes (some expectations noted)
.

*****

Consideration: **Ease of Compliance**

Consideration: **Predictability**

Evaluation Summary: Moderately unpredictable.

Evaluation Score (1-10): 4

Comments:

Mining tax projections are general based on production and the market for precious metals. Its trend, while declining and generally linear has escalated in recent years, maxing predicting annual collecting quite challenging.

*****

Consideration: **Stability**

Evaluation Summary: Relatively unstable.

Evaluation Score (1-10): 3

Comments:

Moderately unstable due to its dependence on the world market for mined precious metals. On a per capita, inflation adjusted basis, this source has been declining since the mid-1980s. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 43 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally equitable. Because the tax is based on gross receipts, businesses generating more revenue will tend to pay more in taxes. This assumes, of course, that operating margins are consistent.

*****

Consideration: **Ease of Administration**

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Net Proceeds of Mines

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: Interstate Competitiveness

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: Flexibility

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: Exportability

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 4

Comments:

The price of gold is set by a world market. As such, the tax is largely paid by the supplier as opposed to the consumer and little if any of the tax liability is exported.

*****

Consideration: Integration

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: Intrastate Competitiveness

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Because mining taxes are returned to their point of origin and/or used by the general fund, there is little intrastate competitiveness regarding these revenues.

*****

Consideration: Economic Neutrality

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

Economically neutral. The existence of net proceeds of mines tax is not expected to materially alter economic decision-making.

*****

Consideration: Uniformity

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 9

Comments:

Broadly speaking, the tax is not uniform because it is a gross receipts business tax that applies only to a specific industry (mining). Within that sector, however, the tax is uniformly applied.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
State Sales and Use Tax

REVENUE: State Sales and Use Tax
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Retail Sales and Use Tax

GENERAL INFORMATION

Description:	Imposed on the retail sale of tangible personal property purchased for use or consumption including "mail orders." Also imposed on equipment leases and rentals.	Status:	Existing source
Legal Reference:	NRS 397		
Rate and Application:	2 percent of taxable sale or taxable use of tangible personal property.	Distribution:	State General Fund
Exemptions:	Sales to governmental, religious, charitable or educational organizations; motor vehicle and domestic fuel; some animal life, feed, seed, plants, fertilizers; containers; newspapers; prescription drugs/prosthetic devices; occasional sales; utilities; meals sold to students and teachers at school functions; food for home consumption; aircraft and major components of aircraft; and 40 percent of the value of new and all of the value of used mobile and manufactured homes.	Collection Procedure:	Retailers must report and remit collections for each month on or before the last day of the succeeding month. Accounts with taxable sales of less than $10,000 per month may report quarterly. A collection allowance of 1.25 percent is allowed to reimburse retailers for collection and timely filing.
Requirements to Change:	Any substantive change to the state's retail sales and use tax will require constitutional amendment.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$633,574,193	Growth Rate (91-01):	8.3%
Allocation Breakdown:	State General Fund $633,574,193	Forecast Determinates:	Population, Visitation, Income, & Consumer Confidence
		Dependence on Growth:	Moderate
Generating Ability:	$79,196,774	Elasticity Calculations:	
Per:	$0.0025 (quarter cent) increase in the retail sales tax rate.	Base: Gross State Product	0.901
		Base: Income	0.939
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market		

Notes:

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forces.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Highly productive.

Evaluation Score (1-10): 10

Comments:

Combined, revenue source generates more than $2 billion annually. They are the most robust sources of revenue in Nevada.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. While the sales and use taxes are generally straightforward, the full spectrum of their applications is sometimes misunderstood by both residents and businesses. As such, firms and/or individuals may improperly calculate their respective burdens or be unaware of their liability. The tax is also tailored to social desirability through exemptions to regressive expenditure categories.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two average consumers would tend to generate the same level of tax revenue under the existing structure.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and nexus with normal business activities. We note, however, that there is often a misunderstanding about who should pay retail sales and use taxes and when they should be remitted. While the

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Relatively predictable based on population, employment, visitation and spending patterns. Sales and use taxes tend to move with the population growth and economic stability. However, historical variations have been mostly predictable.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable. Sales and use taxes fluctuate with the economy; however, because they are generally tied to the demand for taxable goods and services they tend to fluctuate less than sources tied to profitability. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 6 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 4

Comments:

Generally, retail sales and use taxes are thought to be regressive. Nevada's use of exemptions, particularly for food at home, services, and prescription drugs limits this nature considerably. There is even some evidence that Nevada's tax structure may be progressive.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

Notes:

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tax is relatively easy to comply with, many individuals and companies may not understand that their purchases or sales are subject to the levy and what is specifically required of them.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada generates a higher percentage of its public revenues from retail sales and use tax than do other states (52.6 percent vs. 32.3 percent). Nevada's statewide rate of approximately 6.5 percent is roughly 2 percentage points higher than the national average.

*****

Consideration: **Flexibility**

Evaluation Summary: Moderately flexible.

Evaluation Score (1-10): 7

Comments:

Tax has few limitations on its use. As such, it is considered quite flexible. We note, however, that the taxes' ability to adapt to changes in consumer spending patterns (i.e., increased spending on services) is limited by law requiring a vote of the people to effect a substantive change.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 7

Comments:

Spending by visitors generate a significant share of taxable retail sales. To that extent, the tax is highly exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

The state retail sales and use tax is not generally competitive with the other local sales and uses levies within the state. Consumers' ability to "shop rates" is limited, so competition among jurisdictions is minimal.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

Economically neutral. There is no indication that retail sales and use taxes are materially altering businesses' decisions or other consumer/economic activity. This is most notably evidenced by the amount of growth, both in population and employment, that has taken place during the past several years.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

In its application, Nevada's retail sales and use tax is generally uniform. However, the tax itself captures less than one-third of total retail activity reported by Nevada businesses. In that sense, the tax is narrow and lacking broad uniformity.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Local School Support Tax (LSST)

REVENUE: Local School Support Tax (LSST)
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Retail Sales and Use Tax

GENERAL INFORMATION

Description:	Imposed on the retail sale of tangible personal property purchased for use or consumption including "mail orders." Also imposed on equipment leases and rentals.	Status:	Existing source
Legal Reference:	NRS 374		
Rate and Application:	2.25 percent of taxable sale or taxable use of tangible personal property.	Distribution:	School districts; state distributive school account (DSA); State General Fund
Exemptions:	Same as State Sales and Use Tax (above) with additional exemptions for: value of traded-in used vehicles and farm machinery and equipment; eyeglasses; sales of parts, machinery, tools and leases to commercial air carriers; art work over $25,000 for public display; race cars and components; electric generating systems designed to use renewable energy resources; and machinery and equipment for certain new or expanding businesses if approved by the Commission on Economic Development.	Collection Procedure:	Retailers must report and remit collections for each month on or before the last day of the succeeding month. Accounts with taxable sales of less than $10,000 per month may report quarterly. A collection allowance of 1.25 percent is allowed to reimburse retailers for collection and timely filing.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$705,352,676	Growth Rate (91-01):	8.3%
Allocation Breakdown:	School Districts $635,981,419; Distributive School Account $64,081,112; State General Fund $5,290,145	Forecast Determinates:	Population, Visitation, Income, & Consumer Confidence
		Dependence on Growth:	Moderate
Generating Ability:	$78,383,164	Elasticity Calculations:	
Per:	$0.0025 (quarter cent) increase in the retail sales tax rate.	Base: Gross State Product	0.901
		Base: Income	0.939
Inflation Adjustment:	Percentage fee based on free market		

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

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transaction value. Automatically reflects changes in inflation and other market forces.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Highly productive.

Evaluation Score (1-10): 10

Comments:

Combined, revenue source generates more than $2 billion annually. They are the most robust sources of revenue in Nevada.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. While the sales and use taxes are generally straightforward, the full spectrum of their applications is sometimes misunderstood by both residents and businesses. As such, firms and/or individuals may improperly calculate their respective burdens or be unaware of their liability. The tax is also tailored to social desirability through exemptions to regressive expenditure categories.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two average consumers would tend to generate the same level of tax revenue under the existing structure.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and nexus with normal business activities. We note,

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Relatively predictable based on population, employment, visitation and spending patterns. Sales and use taxes tend to move with the population growth and economic stability. However, historical variations have been mostly predictable.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable. Sales and use taxes fluctuate with the economy; however, because they are generally tied to the demand for taxable goods and services they tend to fluctuate less than sources tied to profitability. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 6 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 4

Comments:

Generally, retail sales and use taxes are thought to be regressive. Nevada's use of exemptions, particularly for food at home, services, and prescription drugs limits this nature considerably. There is even some evidence that Nevada's tax structure may be progressive.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

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however, that there is often a misunderstanding about who should pay retail sales and use taxes and when they should be remitted. While the tax is relatively easy to comply with, many individuals and companies may not understand that their purchases or sales are subject to the levy and what is specifically required of them.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada generates a higher percentage of its public revenues from retail sales and use tax than do other states (16.6 percent vs. 11.2 percent). Nevada's statewide rate of approximately 6.5 percent is roughly 2 percentage points higher than the national average.

*****

Consideration: **Flexibility**

Evaluation Summary: Moderately flexible.

Evaluation Score (1-10): 7

Comments:

Tax has few limitations on its use. As such, it is considered quite flexible. We note, however, that the taxes' ability to adapt to changes in consumer spending patterns (i.e., increased spending on services) is limited by law requiring a vote of the people to effect a substantive change.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 7

Comments:

Spending by visitors generate a significant share of taxable retail sales. To that extent, the tax is highly exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

The state retail sales and use tax is not generally competitive with the other local sales and uses levies within the state. Consumers' ability to "shop rates" is limited, so competition among jurisdictions is minimal.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

Economically neutral. There is no indication that retail sales and use taxes are materially altering businesses' decisions or other consumer/economic activity. This is most notably evidenced by the amount of growth, both in population and employment, that has taken place during the past several years.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

In its application, Nevada's retail sales and use tax is generally uniform. However, the tax itself captures less than one-third of total retail activity reported by Nevada businesses. In that sense, the tax is narrow and lacking broad uniformity.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

Local School Support Tax (LSST)

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Basic City-County Relief Tax (BCCRT)

REVENUE: Basic City-County Relief Tax (BCCRT)
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Retail Sales and Use Tax

GENERAL INFORMATION

Description:	Imposed on the retail sale of tangible personal property purchased for use or consumption including "mail orders." Also imposed on equipment leases and rentals.	Status:	Existing source
Legal Reference:	NRS 377; NRS 360.660		
Rate and Application:	0.5 percent of taxable sale or taxable use of tangible personal property.	Distribution:	Nevada counties, cities, towns and special districts; State General Fund
Exemptions:	Same as State Sales and Use Tax (above) with additional exemptions for: value of traded-in used vehicles and farm machinery and equipment; eyeglasses; sales of parts, machinery, tools and leases to commercial air carriers; art work over $25,000 for public display; race cars and components; electric generating systems designed to use renewable energy resources; and machinery and equipment for certain new or expanding businesses if approved by the Commission on Economic Development.	Collection Procedure:	Retailers must report and remit collections for each month on or before the last day of the succeeding month. Accounts with taxable sales of less than $10,000 per month may report quarterly. A collection allowance of 1.25 percent is allowed to reimburse retailers for collection and timely filing.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority

ECONOMICS

Total Revenue (2001):	$156,766,327	Growth Rate (91-01):	8.3%
Allocation Breakdown:	Local Governments $155,590,580; State General Fund $1,175,747	Forecast Determinates:	Population, Visitation, Income, & Consumer Confidence
		Dependence on Growth:	Moderate
Generating Ability:	$78,383,164	Elasticity Calculations:	
Per:	$0.0025 (quarter cent) increase in the retail sales tax rate.	Base: Gross State Product	0.901
		Base: Income	0.939
Inflation Adjustment:	Percentage fee based on free market		

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

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transaction value. Automatically reflects changes in inflation and other market forces.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Highly productive.

Evaluation Score (1-10): 10

Comments:

Combined, revenue source generates more than $2 billion annually. They are the most robust sources of revenue in Nevada.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. While the sales and use taxes are generally straightforward, the full spectrum of their applications is sometimes misunderstood by both residents and businesses. As such, firms and/or individuals may improperly calculate their respective burdens or be unaware of their liability. The tax is also tailored to social desirability through exemptions to regressive expenditure categories.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two average consumers would tend to generate the same level of tax revenue under the existing structure.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and nexus with normal business activities. We note,

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Relatively predictable based on population, employment, visitation and spending patterns. Sales and use taxes tend to move with the population growth and economic stability. However, historical variations have been mostly predictable.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable. Sales and use taxes fluctuate with the economy; however, because they are generally tied to the demand for taxable goods and services they tend to fluctuate less than sources tied to profitability. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 6 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 4

Comments:

Generally, retail sales and use taxes are thought to be regressive. Nevada's use of exemptions, particularly for food at home, services, and prescription drugs limits this nature considerably. There is even some evidence that Nevada's tax structure may be progressive.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

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however, that there is often a misunderstanding about who should pay retail sales and use taxes and when they should be remitted. While the tax is relatively easy to comply with, many individuals and companies may not understand that their purchases or sales are subject to the levy and what is specifically required of them.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Limited competition among jurisdictions wit

Comments:

Nevada generates a higher percentage of its public revenues (state and local) from retail sales and use tax than do other states (16.6 percent vs. 11.2 percent). Nevada's statewide rate of approximately 6.5 percent is roughly 2 percentage points higher than the national average.

*****

Consideration: **Flexibility**

Evaluation Summary: Moderately flexible.

Evaluation Score (1-10): 7

Comments:

Tax has few limitations on its use. As such, it is considered quite flexible. We note, however, that the taxes' ability to adapt to changes in consumer spending patterns (i.e., increased spending on services) is limited by law requiring a vote of the people to effect a substantive change.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 7

Comments:

Spending by visitors generate a significant share of taxable retail sales. To that extent, the tax is highly exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Limited competition among jurisdictions within the state.

Evaluation Score (1-10): 7

Comments:

Retail sales and use taxes are not generally competitive due to consumers' inability to "shop rates." We note, however, that the formula-based distribution of retail sales and use taxes among counties and cities (first and second tier) has been an area of inter-jurisdictional competitiveness in recent years.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

The first and second tier distribution of retail sales and use taxes (i.e., among counties and cities) has characteristics with the potential to violate the premise of economic neutrality. Some jurisdictions have suggested that the allocations provided under the existing formula result in a net fiscal imbalance; as such, they have artificially slowed development cycles or otherwise distorted normal market activities.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

In its application, Nevada's retail sales and use tax is generally uniform. However, the tax itself captures less than one-third of total retail activity reported by Nevada businesses. In that sense, the tax is narrow and lacking broad uniformity.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

Basic City-County Relief Tax (BCCRT)

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Supplemental City-County Relief Tax (SCCRT)

REVENUE: Supplemental City-County Relief Tax (SCCRT)
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Retail Sales and Use Tax

GENERAL INFORMATION

Description:	Imposed on the retail sale of tangible personal property purchased for use or consumption including "mail orders." Also imposed on equipment leases and rentals.	Status:	Existing source
Legal Reference:	NRS 377; NRS 360.660		
Rate and Application:	1.75 percent of taxable sale or taxable use of tangible personal property.	Distribution:	Nevada counties, cities, towns and special districts; State General Fund
Exemptions:	Same as State Sales and Use Tax (above) with additional exemptions for: value of traded-in used vehicles and farm machinery and equipment; eyeglasses; sales of parts, machinery, tools and leases to commercial air carriers; art work over $25,000 for public display; race cars and components; electric generating systems designed to use renewable energy resources; and machinery and equipment for certain new or expanding businesses if approved by the Commission on Economic Development.	Collection Procedure:	Retailers must report and remit collections for each month on or before the last day of the succeeding month. Accounts with taxable sales of less than $10,000 per month may report quarterly. A collection allowance of 1.25 percent is allowed to reimburse retailers for collection and timely filing.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$548,651,755	Growth Rate (91-01):	8.3%
Allocation Breakdown:	State General Fund $4,114,794; Local Governments $544,536,961	Forecast Determinates:	Population, Visitation, Income, & Consumer Confidence
		Dependence on Growth:	Moderate
Generating Ability:	$78,383,164	Elasticity Calculations:	
Per:	$0.0025 (quarter cent) increase in the retail sales tax rate.	Base: Gross State Product	0.901
		Base: Income	0.939
Inflation Adjustment:	Percentage fee based on free market		

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

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transaction value. Automatically reflects changes in inflation and other market forces.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Highly productive.

Evaluation Score (1-10): 10

Comments:

Combined, revenue source generates more than $2 billion annually. They are the most robust sources of revenue in Nevada.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. While the sales and use taxes are generally straightforward, the full spectrum of their applications is sometimes misunderstood by both residents and businesses. As such, firms and/or individuals may improperly calculate their respective burdens or be unaware of their liability. The tax is also tailored to social desirability through exemptions to regressive expenditure categories.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two average consumers would tend to generate the same level of tax revenue under the existing structure.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and nexus with normal business activities. We note,

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Relatively predictable based on population, employment, visitation and spending patterns. Sales and use taxes tend to move with the population growth and economic stability. However, historical variations have been mostly predictable.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable. Sales and use taxes fluctuate with the economy; however, because they are generally tied to the demand for taxable goods and services they tend to fluctuate less than sources tied to profitability. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 6 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 4

Comments:

Generally, retail sales and use taxes are thought to be regressive. Nevada's use of exemptions, particularly for food at home, services, and prescription drugs limits this nature considerably. There is even some evidence that Nevada's tax structure may be progressive.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

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however, that there is often a misunderstanding about who should pay retail sales and use taxes and when they should be remitted. While the tax is relatively easy to comply with, many individuals and companies may not understand that their purchases or sales are subject to the levy and what is specifically required of them.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Limited competition among jurisdictions wit

Comments:

Nevada generates a higher percentage of its public revenues (state and local) from retail sales and use tax than do other states (16.6 percent vs. 11.2 percent). Nevada's statewide rate of approximately 6.5 percent is roughly 2 percentage points higher than the national average.

*****

Consideration: **Flexibility**

Evaluation Summary: Moderately flexible.

Evaluation Score (1-10): 7

Comments:

Tax has few limitations on its use. As such, it is considered quite flexible. We note, however, that the taxes' ability to adapt to changes in consumer spending patterns (i.e., increased spending on services) is limited by law requiring a vote of the people to effect a substantive change.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 7

Comments:

Spending by visitors generate a significant share of taxable retail sales. To that extent, the tax is highly exportable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Limited competition among jurisdictions within the state.

Evaluation Score (1-10): 7

Comments:

Retail sales and use taxes are not generally competitive due to consumers' inability to "shop rates." We note, however, that the formula-based distribution of retail sales and use taxes among counties and cities (first and second tier) has been an area of inter-jurisdictional competitiveness in recent years. Nevada's use of guarantee versus not guarantee counties also has the potential to place one region in a position opposed to another.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

The first and second tier distribution of retail sales and use taxes (i.e., among counties and cities) has characteristics with the potential to violate the premise of economic neutrality. Some jurisdictions have suggested that the allocations provided under the existing formula result in a net fiscal imbalance; as such, they have artificially slowed development cycles or otherwise distorted normal market activities. In addition, the SCCRT's allocation of funds among guarantee and non-guarantee counties (e.g., the first tier) also has the possibility of creating an economic disincentive to growth. This is particularly true where growth in the tax base of a guarantee county might "steal" taxable sales from a non-guarantee county leading to an overall revenue loss for a regional economy.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

In its application, Nevada's retail sales and use tax is generally uniform. However, the tax itself captures less than one-third of total retail activity reported by Nevada businesses. In that sense, the tax is narrow and lacking broad uniformity.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Supplemental City-County Relief Tax (SCCRT)

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
County Option Sales Tax

REVENUE: County Option Sales Tax
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Retail Sales and Use Tax

GENERAL INFORMATION

Description:	Imposed on the retail sale of tangible personal property purchased for use or consumption including "mail orders." Also imposed on equipment leases and rentals.	Status:	Existing source
Legal Reference:	NRS 377A.020; NRS 377A.030; NRS 543.600		
Rate and Application:	0.75 percent Clark, Washoe, Storey Counties; 0.5 percent Carson City, Churchill; 0.25 percent Douglas, Lincoln, Nye Counties; 0.375 percent White Pine of taxable sale or taxable use of tangible personal property.	Distribution:	Counties that impose the optional tax; State General Fund
Exemptions:	Same as State Sales and Use Tax (above) with additional exemptions for: value of traded-in used vehicles and farm machinery and equipment; eyeglasses; sales of parts, machinery, tools and leases to commercial air carriers; art work over $25,000 for public display; race cars and components; electric generating systems designed to use renewable energy resources; and machinery and equipment for certain new or expanding businesses if approved by the Commission on Economic Development.	Collection Procedure:	Retailers must report and remit collections for each month on or before the last day of the succeeding month. Accounts with taxable sales of less than $10,000 per month may report quarterly. A collection allowance of 1.25 percent is allowed to reimburse retailers for collection and timely filing.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people. In addition, the implementation of an optional local levy require approval by the local government.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$215,032,084	Growth Rate (91-01):	8.3%
Allocation Breakdown:	Participating Counties $213,419,343; State General Fund $1,612,741	Forecast Determinates:	Population, Visitation, Income, & Consumer Confidence
		Dependence on Growth:	Moderate

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
County Option Sales Tax

Generating Ability:	$78,383,164	Elasticity Calculations:	
Per:	$0.0025 (quarter cent) increase in the retail sales tax rate.	Base: Gross State Product	0.901
		Base: Income	0.939
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.		

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Highly productive.

Evaluation Score (1-10): 10

Comments:

Combined, revenue source generates more than $2 billion annually. They are the most robust sources of revenue in Nevada.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. While the sales and use taxes are generally straightforward, the full spectrum of their applications is sometimes misunderstood by both residents and businesses. As such, firms and/or individuals may improperly calculate their respective burdens or be unaware of their liability. The tax is also tailored to social desirability through exemptions to regressive expenditure categories.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two average consumers would tend to generate the same level of tax revenue under the existing structure.

*****

Consideration: **Ease of Compliance**

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Relatively predictable based on population, employment, visitation and spending patterns. Sales and use taxes tend to move with the population growth and economic stability. However, historical variations have been mostly predictable.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable. Sales and use taxes fluctuate with the economy; however, because they are generally tied to the demand for taxable goods and services they tend to fluctuate less than sources tied to profitability. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 6 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 4

Comments:

Generally, retail sales and use taxes are thought to be regressive. Nevada's use of exemptions, particularly for food at home, services, and prescription drugs limits this nature considerably. There is even some evidence that Nevada's tax structure may be progressive.

*****

Consideration: **Ease of Administration**

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
County Option Sales Tax

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and nexus with normal business activities. We note, however, that there is often a misunderstanding about who should pay retail sales and use taxes and when they should be remitted. While the tax is relatively easy to comply with, many individuals and companies may not understand that their purchases or sales are subject to the levy and what is specifically required of them.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada generates a higher percentage of its public revenues from retail sales and use tax than do other states (16.6 percent vs. 11.2 percent). Nevada's statewide rate of approximately 6.5 percent is roughly 2 percentage points higher than the national average.

*****

Consideration: **Flexibility**

Evaluation Summary: Moderately flexible.

Evaluation Score (1-10): 7

Comments:

Tax has few limitations on its use. As such, it is considered quite flexible. We note, however, that the taxes' ability to adapt to changes in consumer spending patterns (i.e., increased spending on services) is limited by law requiring a vote of the people to effect a substantive change.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 7

Comments:

Spending by visitors generate a significant share of taxable retail sales. To that extent, the tax is highly exportable.

*****

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

The optional county retail sales and use taxes are not generally competitive with the other local sales and uses levies within the state. Consumers are not able to "shop rates" and they lack the formulaic characteristics which have been previously noted as being problematic in other sales and use levies..

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

Economically neutral. There is no indication that retail sales and use taxes are materially altering businesses' decisions or other consumer/economic activity. This is most notably evidenced by the amount of growth, both in population and employment, that has taken place during the past several years.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

In its application, Nevada's retail sales and use tax is generally uniform. However, the tax itself captures less than one-third of total retail activity reported by Nevada businesses. In that sense, the tax is narrow and lacking broad uniformity.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

County Option Sales Tax

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Pari-Mutuel Wagering Tax

REVENUE: Pari-Mutuel Wagering Tax
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Tax levies on the gross amount wagered on each racing or sporting event, or total commission.	Status:	Existing source
Legal Reference:	NRS 464.040, 464.045, 466.125		
Rate and Application:	Three percent on gross amount of money wagered on each racing or sporting event other than in-state horse or mule racing; 2 percent on all pari-mutuel money handled on in-state horse and mule races; 1 percent on pari-mutuel money from State Fair and non-profit organizations.	Distribution:	State General Fund, with 1 percent of the pari-mutuel money collected on horse races, not conducted by State fairs or non-profit organizations, distributed to the county or city of origin.
Exemptions:	None cited.	Collection Procedure:	Funds remitted directly to the Nevada Gaming Commission.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$3,609	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $3,609	Forecast Determinates:	Population, Employment and Visitation
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Relatively unproductive.	Evaluation Summary:	Relatively unpredictable.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Evaluation Score (1-10): 2

Comments:

Source generates less than $100,000 annually. As such, it is among the least productive revenue sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Generally, horizontally equitable. Businesses earning the same amount of revenue incur the same level of taxation. Again, in a broad since equity is not achieved as non-gaming businesses earning equal revenues pay no similar taxes (some expectations noted).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

There was no information readily available comparing taxes on pari-mutual wagering among jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against

Evaluation Score (1-10): 2

Comments:

Relatively difficult to predict due to its high annual variability.

*****

Consideration: **Stability**

Evaluation Summary: Relatively unstable.

Evaluation Score (1-10): 2

Comments:

Relatively unstable. While pari-mutuel wagering has the potential to fluctuate with economic conditions, these fluctuations are generally mild due to their low economic totals. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 71 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally equitable. Because the tax is based on total wagering, businesses generating more revenue will tend to pay more in taxes. This assumes, of course, that operating margins are consistent.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

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competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 7

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Racing Fees

REVENUE: Racing Fees
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Fees on owner-trainers of horses racing in Nevada.	Status:	Existing source
Legal Reference:	NRS 466.170		
Rate and Application:	$17 to $60 per owner-trainer on racing events taking place within the State of Nevada.	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	Funds remitted directly to the Nevada Gaming Commission.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$14,347	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $14,347	Forecast Determinates:	None Revenue is extremely specific and the base is too narrow to support forecasts beyond the status quo
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Relatively unproductive.	Evaluation Summary:	Relatively unpredictable.
Evaluation Score (1-10):	2	Evaluation Score (1-10):	2

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Comments:

Source generates less than $100,000 annually. As such, it is among the least productive revenue sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Generally, horizontally equitable. Businesses earning the same amount of revenue incur the same level of taxation. Again, in a broad since equity is not achieved as non-gaming businesses earning equal revenues pay no similar taxes (some expectations noted).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

There was no information readily available comparing racing fee taxes among jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which

Comments:

Racing fees are difficult to predict because they vary with the number of events scheduled to occur in any particular year.

*****

Consideration: **Stability**

Evaluation Summary: Relatively unstable.

Evaluation Score (1-10): 2

Comments:

Relatively unstable. While race wagering has the potential to fluctuate with economic conditions, these fluctuations are generally mild due to their low economic totals. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 74 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally equitable. Because the tax is based on total wagering, businesses generating more revenue will tend to pay more in taxes. This assumes, of course, that operating margins are consistent.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

Notes:

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they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 8

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Advance License Fee

REVENUE: Advance License Fee
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	n/a	Status:	Existing source
Legal Reference:	NRS 463.370 (3)		
Rate and Application:	Three times the percentage fees due from the first full calendar month of operation.	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	Funds remitted directly to the Nevada Gaming Commission.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$8,362,370	Growth Rate (91-01):	4.3%
Allocation Breakdown:	State General Fund $8,362,371	Forecast Determinates:	Number of Gaming Licenses
		Dependence on Growth:	High
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	(0.592)
		Base: Income	0.406
Inflation Adjustment:	Percentage fee. Automatically reflects changes in inflation and other market forces. Note, however, Annual Percentage Fees are based on wagers made and the Advanced License Fee is a function of the Annual Percentage Fee. Because the denominations are generally fixed, there may be some lag between inflation and increases in the wagering habits of gamers.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Moderately unproductive.	Evaluation Summary:	Moderately unpredictable.
Evaluation Score (1-10):	4	Evaluation Score (1-10):	4

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Advance License Fee

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately inequitable (horizontally).

Evaluation Score (1-10): 5

Comments:

Generally, horizontally inequitable. Businesses earning the same amount of revenue incur the same level of taxation. Again, in a broad since equity is not achieved as non-gaming businesses earning equal revenues pay no similar taxes (some expectations noted). We also note that the fact that two businesses earn similar amount of gross gaming revenue may have materially different levels of profitability. This impact is somewhat mitigated by the fact that the tax is narrowly applied to the non-restricted gaming operators. Generally, competitors within industries have somewhat similar operating margins.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Tax is relatively difficult to predict because it is based on new gaming licenses. While there is some indication as to the number of licensees being reviewed, this provides limited information at best.

*****

Consideration: **Stability**

Evaluation Summary: Relatively unstable.

Evaluation Score (1-10): 2

Comments:

Generally unstable. Because this fee is applicable only to new licensees, it is dependent on the number of licenses issued in any given year. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 66 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally equitable. Because the tax is based on total wagering, businesses generating more revenue will tend to pay more in taxes. This assumes, of course, that operating margins are consistent.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Advance License Fee

Comments:

There was no information readily available comparing advanced license fees among jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 9

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied to non-restricted licensees. The tax is not uniformly applied to all gaming licensees as those which have fewer than 15 licenses are not subject to the fee.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

Gaming Percentage Fee

REVENUE: Gaming Percentage Fee
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Revenue derived from all gaming operations received as winnings less the total paid out as losses, annuities purchased to fund losses to be paid over several years, and cost of personal property won by a slot machine player. Excludes foreign coins, entry fees, counterfeit bills and fraudulent acts. Not applied to credit play.	Status:	Existing source
Legal Reference:	NRS 463.370; NRS 463.371; NRS 463.3715		
Rate and Application:	First $50,000 taxable gross gaming revenue taxed at 3.0 percent; next $50,000 to $134,000 taxable gross gaming revenue taxed at 4.0 percent; all taxable gross gaming revenues over $134,000 taxed at 6.25 percent.	Distribution:	State General Fund
Exemptions:	Gross gaming revenue derived from licensees operating from 1 to 15 slot machines only.	Collection Procedure:	Casinos are licensed annually (calendar year). Licensees report gross revenue and remit monthly license fees on or before the 24th of the month based upon operations of the preceding month.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority

ECONOMICS

Total Revenue (2001):	$564,990,960	Growth Rate (91-01):	5.6%
Allocation Breakdown:	State General Fund $564,990,960	Forecast Determinates:	Visitation, Population, & Gaming Spending
		Dependence on Growth:	Low
Generating Ability:	$87,700,000	Elasticity Calculations:	
Per:	1 percent increase in to uppermost tax bracket.	Base: Gross State Product	0.583
		Base: Income	0.557
Inflation Adjustment:	Percentage fee. Automatically reflects		

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changes in inflation and other market forces. Note, however, annual percentage fees are based on wagers made. Because the denominations are generally fixed, there may be some lag between inflation and increases in the wagering habits of gamers.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 9

Comments:

Generating more than $500 million annually, this revenue source is among the most robust in the state. Few if any sources generate more revenue, and those that do are generally structured to provide revenue to multiple levels of government.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately non-transparent.

Evaluation Score (1-10): 4

Comments:

Gaming percentage fees are built into the hold percentage of gaming units. Consumers never see the tax and do not have the ability to readily calculate their individual burdens.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately inequitable (horizontally).

Evaluation Score (1-10): 5

Comments:

Generally, horizontally inequitable. Businesses earning the same amount of income may face very dissimilar tax burdens. Again, in a broad since equity is not achieved as non-gaming businesses earning equal revenues pay no similar taxes (some expectations noted). We also note that the fact that two businesses earn similar amount of gross gaming revenue may have materially different levels of profitability. This impact is somewhat mitigated by the fact that the tax is narrowly applied to the non-restricted gaming operators. Generally, competitors within industries have somewhat similar operating margins.

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

On an annual basis, gaming percentage fees are relatively predictable due primarily to their stable growth pattern and direct relationship to tourist visitation and employment. However, because these taxes are prepaid (see Advance License Fee), there is an extra layer of complexity which can cause lags between economic changes and source performance.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

Declining in inflation adjusted per capita terms. This is due largely to the fact that gross gaming revenues are growing at a compounded annual rate less than that of population. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 8 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Comments:

Generally equitable. Gaming percentage fees are tiered, which provides some additional vertical equity. However, the tier graduations end at gross gaming revenues of $134,000, which means that more than 90 percent of all gross gaming revenues are taxed at the highest rate.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Gaming Percentage Fee

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 9

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, the gaming taxes are not uniform because they are business taxes that apply only to a specific industry. Within that sector, however, the tax is uniformly applied to non-restricted licensees. The tax is not uniformly applied to all gaming licensees as those which have fewer than 15 licenses are not subject to the fee.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

---

blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Slot Route Operators Fee

REVENUE: Slot Route Operators Fee
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Annual license fee for operating slot route.	Status:	Existing source
Legal Reference:	NRS 463.660; NRS 463.3855		
Rate and Application:	$ 500 for issuance or renewal of slot route operators license.	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	All licenses are issued for the calendar year and expire on December 31. The full annual fee is charged, regardless of the date of application or issuance of the license.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority

ECONOMICS

Total Revenue (2001):	$34,000	Growth Rate (91-01):	-1.4%
Allocation Breakdown:	State General Fund $34,000	Forecast Determinates:	Number of Gaming Licensees
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	(0.095)
		Base: Income	(0.098)
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Relatively unproductive.	Evaluation Summary:	Relatively predictable.
Evaluation Score (1-10):	2	Evaluation Score (1-10):	8
Comments:	Source generates less than $100,000 annually. As such, it is among the least productive revenue sources reviewed.	Comments:	Relatively predictable because it is based on the number of licensed slot route operators. Licensees are tracked and reported by the State

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Slot Route Operators Fee

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Two slot route operates both earning $100,000 annually would be expected to carry similar burdens. This assumes that the operating margin of slot route operators is generally similar. Again, in a broad since equity is not achieved as non-gaming businesses earning equal revenues pay no similar taxes (some expectations noted).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

There was no information readily available comparing slot route operators fees among jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

of Nevada Gaming Control Board.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

Generally stable. While this revenue source is declining in inflation adjusted terms, this is largely the result of its structure which is unitary and does not adjust with inflation. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 29 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

Generally inequitable. If one slot route operator were to generate $10,000 in sales and another were to generate $1,000,000 in sales, the first would pay a substantially higher percentage of its revenue in slot route operators fees than the second.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Slot Route Operators Fee

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 7

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied to all slot route operators. Because of their status, slot route operators are generally exempt from several of the fees applied to non-restricted licensees.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

Gaming Information Systems Fees

REVENUE: Gaming Information Systems Fees
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Annual fee placed on companies licensed to provide information for sports wagering, etc.	Status:	Existing source
Legal Reference:	NRS 463.3856		
Rate and Application:	An annual $6,000 fee per licensee.	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	Fee is collected annually at the end of each calendar year. It is remitted directly to the State of Nevada Gaming Control Board.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority

ECONOMICS

Total Revenue (2001):	$18,000	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $18,000	Forecast Determinates:	None Revenue is extremely specific and the base is too narrow to support forecasts beyond the status quo
		Dependence on Growth:	Low
Generating Ability:	$3	Elasticity Calculations:	
Per:	per $1 increase in the tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Relatively unproductive.	Evaluation Summary:	Relatively predictable.
Evaluation Score (1-10):	2	Evaluation Score (1-10):	8

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Comments:

Source generates less than $100,000 annually. As such, it is among the least productive revenue sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Generally, horizontally equitable. Two information systems operations earning the same amount of revenue would be expected to incur the same level of tax liability. This assumes that the operating margin of gaming information systems operators is generally similar. Again, in a broad since equity is not achieved as non-gaming businesses earning equal revenues pay no similar taxes (some expectations noted).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Relatively predictable because it is based on the number of licensees. Licensed information distributors are tracked and reported by the State of Nevada Gaming Control Board.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Generally stable. While this revenue source is declining in inflation adjusted terms, this is largely the result of its structure which is unitary and does not adjust with inflation. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 10 percent between FY 1998 and FY 2001 (current form period of implementation).

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

Generally inequitable. If one information services provider were to generate $10,000 in sales and another were to generate $1,000,000 in sales, the first would pay a substantially higher percentage of its revenue in information systems fees than would the second.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Gaming Information Systems Fees

Comments:

There was no information readily available comparing gaming information systems fees among jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 7

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied to all gaming information systems.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Equipment Manufactures & Distributors License Fee

REVENUE: Equipment Manufactures & Distributors License Fee
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Annual fee placed on companies licensed to manufacture and distribute gaming equipment in the State of Nevada.	Status:	Existing source
Legal Reference:	n/a		
Rate and Application:	$1,000 for manufactures; $500 for distributors.	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	Fee is collected annually at the end of each calendar year. It is remitted directly to the State of Nevada Gaming Control Board.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$164,000	Growth Rate (91-01):	4.0%
Allocation Breakdown:	State General Fund $164,000	Forecast Determinates:	Number of Equipment Manufacturers Licenses
		Dependence on Growth:	Low
Generating Ability:	$217	Elasticity Calculations:	
Per:	per $1 increase in the tax rate (both manufacturing and distributing).	Base: Gross State Product	0.289
		Base: Income	0.372
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Relatively unproductive.	Evaluation Summary:	Relatively predictable.
Evaluation Score (1-10):	3	Evaluation Score (1-10):	8

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Equipment Manufactures & Distributors License Fee

Comments:

Sources generates more than the lowest producers (e.g., those generating less than $100,000 annually); however, at less than $1 million is remains among the less productive sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Generally, horizontally equitable. Two distributors or manufactures earning the same amount of revenue would be expected to incur the same level of tax liability. Again, in a broad since equity is not achieved as non-gaming businesses earning equal revenues pay no similar taxes (some expectations noted).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

There was no information readily available comparing equipment manufactures licenses fees among gaming jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the

Comments:

Relatively predictable because it is based on the number of licensees. Licensed manufactures and distributors are tracked and reported by the State of Nevada Gaming Control Board.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Generally stable. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 29 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

Generally inequitable. If one gaming equipment manufacturer or distributor provider were to generate $10,000 in sales and another were to generate $1,000,000 in sales, the first would pay a substantially higher percentage of its revenue in licensing fees than would the second.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

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regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 5

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied to all gaming equipment manufacturers.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Slot Machine Excise Tax

REVENUE: Slot Machine Excise Tax
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Tax levied on each slot machine to be operated in any fiscal year (July 1 through June 30).	Status:	Existing source
Legal Reference:	NRS 463.385		
Rate and Application:	$250 per year per machine.	Distribution:	Remainder to State Distributive School Account; 20 percent to Special Capital Construction Fund; $5 million to Capital Construction Fund for higher education. See also, NRS 463.385 (6).
Exemptions:	None cited.	Collection Procedure:	The tax is collected annually. Must be paid in advance, prior to June 20, as a condition for a state gaming license to operate any slot machine.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$55,897,656	Growth Rate (91-01):	n/a
Allocation Breakdown:	State DSA $39,718,125; Special Capital Const. Fund $11,179,531; State General Fund $5,000,000	Forecast Determinates:	Population
		Dependence on Growth:	Low
Generating Ability:	$223,591	Elasticity Calculations:	
Per:	per $1 increase in the tax rate.	Base: Gross State Product	(0.046)
		Base: Income	(0.023)
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Moderately productive.	Evaluation Summary:	Relatively predictable.
Evaluation Score (1-10):	6	Evaluation Score (1-10):	8

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Comments:

Source generates more than $30 million but less than $100 million annually. It is considered moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Generally, horizontally equitable. Two licensees operating the same number of machines would be expected to incur the same level of tax liability. With regard to revenue, the equity evaluation holds of one is willing to assume that the revenue generated per unit is comparable from operation to operation.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Relatively predictable because it is based on the number of licensed slot machines. Licensed machines are tracked and reported by the State of Nevada Gaming Control Board.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Generally stable. While this revenue source is declining in inflation adjusted terms, this is largely the result of its structure which is unitary, without any adjustment for inflation. This source, like other gaming sources, is dependent on the health of the industry. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 13 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

Generally inequitable. If one gaming licensee where to generate $10,000 in sales and second were to generate $1,000,000 in sales, the first would pay a substantially higher percentage of its revenue in slot machine excises taxes than would the second. We note, however, that much of this inequity, at least as it applies to restricted licensees, is recovered in the annual percentage fees.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Slot Machine Excise Tax

Comments:

There was no information readily available comparing slot machine excise taxes among gaming jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 5

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately non-uniform.

Evaluation Score (1-10): 5

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied to all licensees operating slot machines. Because of their status, slot route operators are generally exempt from several of the fees applied to non-restricted licensees.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Non-restricted Slot License Fee

REVENUE: Non-restricted Slot License Fee
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Tax levied on each slot machine to be operated in any calendar year by a non-restricted licensee (i.e., an operator with 15 or more slot machines) .	Status:	Existing source
Legal Reference:	NRS 463.375		
Rate and Application:	$20 per machine per quarter.	Distribution:	State General Fund
Exemptions:	Does not apply to restricted licensees (applied to gaming operations with more than 15 slot machines).	Collection Procedure:	The license fee is charged and collected on or before the last day in a calendar quarter, for the ensuing calendar quarter, from a licensee whose operation is continuing. In advance from a licensee who begins operation during a calendar quarter.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$15,674,070	Growth Rate (91-01):	3.7%
Allocation Breakdown:	State General Fund $15,674,070	Forecast Determinates:	Visitation, Population & Gaming Expansions
		Dependence on Growth:	Low
Generating Ability:	$156,741	Elasticity Calculations:	
Per:	per $1 increase in the tax rate.	Base: Gross State Product	0.151
		Base: Income	0.148
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Moderately productive.	Evaluation Summary:	Moderately unpredictable.
Evaluation Score (1-10):	5	Evaluation Score (1-10):	5

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Non-restricted Slot License Fee

Comments:

Source generates more than $10 million but less than $30 million annually. It is considered moderately productive when compared the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Generally, horizontally equitable. Two non-restricted licensees operating the same number of machines would be expected to incur the same level of tax liability. With regard to revenue, the equity evaluation holds of one is willing to assume that the revenue generated per unit is comparable from operation to operation.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Relatively predictable because it is based on the number of licensed slot machines operated by non-restricted licensees. Licensed machines are tracked and reported by the State of Nevada Gaming Control Board.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Generally stable. While this revenue source is declining in inflation adjusted terms, the decline is largely the result of its structure which is unitary, without any adjustment for inflation. This source, like other gaming sources, is dependent on the health of the industry. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 13 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

Generally inequitable. If one gaming licensee where to generate $10,000 in sales and second were to generate $1,000,000 in sales, the first would pay a substantially higher percentage of its revenue in non-restricted license fees than would the second. We note, however, that much of this inequity, at least as it applies to restricted licensees, is recovered in the annual percentage fees.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 7

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Comments:

There was no information readily available comparing non-restricted slot license fees among gaming jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 5

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied to all slot route operators. Because of their status, slot route operates are generally exempt from several of the fees applied to restricted licensees.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Restricted Slot License Fee

REVENUE: Restricted Slot License Fee
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Each slot machine to be operated in any calendar quarter.	Status:	Existing source
Legal Reference:	NRS 463.373		
Rate and Application:	$61 per machine per quarter for 1 to 5 machines; $305 plus $105 for each machine in excess of 5 per quarter	Distribution:	State General Fund
Exemptions:	Does not apply to non-restricted licensees (applied only to gaming licensees with less than 15 slot machines).	Collection Procedure:	Licenses are issued on a calendar year basis, subject to quarterly renewal. The license fee is charged and collected on or before the last day of the last month in a calendar quarter for the ensuing calendar quarter.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority

ECONOMICS

Total Revenue (2001):	$6,544,298	Growth Rate (91-01):	4.8%
Allocation Breakdown:	State General Fund $6,544,298	Forecast Determinates:	Population
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	0.479
		Base: Income	0.460
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Moderately unproductive.	Evaluation Summary:	Relatively predictable.
Evaluation Score (1-10):	4	Evaluation Score (1-10):	8

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Restricted Slot License Fee

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Generally, horizontally equitable. Two restricted licensees operating the same number of machines would be expected to incur the same level of tax liability. With regard to revenue, the equity evaluation holds of one is willing to assume that the revenue generated per unit is comparable from operation to operation.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

There was no information readily available comparing restricted slot license fees among gaming jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against

Comments:

Relatively predictable because it is based on the number of licensed slot machines operated by restricted licensees. Licensed machines are tracked and reported by the State of Nevada Gaming Control Board.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Generally stable. While This source, like other gaming sources, is dependent on the health of the industry. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 10 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

Generally inequitable. If one gaming licensee where to generate $10,000 in sales and second were to generate $1,000,000 in sales, the first would pay a substantially higher percentage of its revenue in restricted license fees than would the second. We note, however, that much of this inequity, at least as it applies to restricted licensees, is recovered in the annual percentage fees.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

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competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 4

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied to all restricted licensees operating slot machines. Because of their status, restricted licensees are generally exempt from several of the fees applied to non-restricted licensees.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Racing Wire Fees

REVENUE: Racing Wire Fees
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Tax levied on each slot machine to be operated in any calendar year by a restricted licensee (i.e., an operator with fewer than slot machines) .	Status:	Existing source
Legal Reference:	NRS 463.450		
Rate and Application:	4.25 percent of total fees collected each month.	Distribution:	State General Fund
Exemptions:	Any televised broadcast which is presented without charge to any person who received the broadcast.	Collection Procedure:	License is issued on a calendar year basis subject to renewal, provided fees are remitted when due. Fees are due the last day of each calendar month for the preceding month.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$71,990	Growth Rate (91-01):	-18.8%
Allocation Breakdown:	State General Fund $71,990	Forecast Determinates:	Population, Employment & Visitation
		Dependence on Growth:	Low
Generating Ability:	$4,235	Elasticity Calculations:	
Per:	$0.0025 (quarter cent) increase in the tax rate.	Base: Gross State Product	(0.718)
		Base: Income	(0.673)
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Relatively unproductive.	Evaluation Summary:	Moderately unpredictable.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Racing Wire Fees

Evaluation Score (1-10): 2

Comments:

Source generates less than $100,000 annually. As such, it is among the least productive revenue sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Generally, horizontally equitable. Businesses earning the same amount of revenue incur the same level of taxation.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Evaluation Score (1-10): 4

Comments:

Relatively difficult to predict due a trend moving a number of business away from transactions resulting in the levy of racing wire fees.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

Revenues have declined considerably since FY 2001. They have been relatively stable since FY 1998, however, they continue to decline. This source, like other gaming sources, is dependent on the health of the industry. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 69 percent between FY 1991 and FY 2001. [More information required. Data request sent to GCB on 3.15.02]

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Comments:

Generally equitable. Because the tax is based on a percentage of total fees collected, businesses generating more revenue will tend to pay more in taxes. This assumes, of course, that operating margins are consistent.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Racing Wire Fees

Comments:

There was no information readily available comparing racing wire fees among gaming jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 5

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied to gaming operations that disseminate live broadcasts.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Flat Fee on Games (Quarterly Fees)

REVENUE: Flat Fee on Games (Quarterly Fees)
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Quarterly fee charged to all games to be operated in any calendar quarter.	Status:	Existing source
Legal Reference:	NRS 463.383		
Rate and Application:	$ 50 for 1 game; $100 for 2 games; $200 for 3 games; $375 for 4 games; $875 for 5 games; $1,500 for 6 or 7 games; $3000 for 8 to 10 games; $500 per game for 11 to 16 games; $4,800 per game for each game in excess of 16; $2,800 for each game in excess of 26; $100 for each game in excess of 35.	Distribution:	State General Fund
Exemptions:	Card games, including, stud or draw poker, bridge, whist, solo, low ball and panguingui for money, and slot machines, when not utilized as an adjunct to or a unit of any banking, percentage or mechanical device or machine, are not gambling games under the provisions of this section.	Collection Procedure:	Licenses are issued on a calendar year basis, regardless of the date of application or date of issuance of the license. If the operation is continuing, the prescribed fee is payable on or before December 31 for the ensuing calendar year. Fees are prorated.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$7,297,760	Growth Rate (91-01):	-0.3%
Allocation Breakdown:	State General Fund $7,297,760	Forecast Determinates:	Visitation, Population & Gaming Expansions
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	0.151
		Base: Income	0.148
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Flat Fee on Games (Quarterly Fees)

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Generally, horizontally equitable. Two non-restricted licensees operating the same number of casino games would be expected to incur the same level of tax liability. With regard to revenue, the equity evaluation holds of one is willing to assume that the revenue generated per unit is comparable from operation to operation.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Predictability**

Evaluation Summary: Moderately unpredictable.

Evaluation Score (1-10): 4

Comments:

Relatively predictable because it is based on the number of licensed casino games operated by restricted licensees. Licensed games and operators are tracked and reported by the State of Nevada Gaming Control Board.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Generally stable. While this revenue source is declining in inflation adjusted terms, the decline is largely the result of its structure which is unitary, without any adjustment for inflation. This source, like other gaming sources, is dependent on the health of the industry. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 27 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Moderately inequitable. Some very small operations, which are assumed to generate less revenue, may pay a smaller share of gross revenue in flat fees on games to the extent that they operate relatively fewer casino games. However, gaming licensees operating between 10 and 35 casino games would pay a higher share of their revenue than the largest operations (e.g., those with 35 or more casino games).

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Flat Fee on Games (Quarterly Fees)

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

There was no information readily available comparing fees on casino games among gaming jurisdictions. Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 5

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied to restricted licensees (those allowed to operate table games).

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

Flat Fee on Games (Quarterly Fees)

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Casino Entertainment Tax

REVENUE: Casino Entertainment Tax
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Tax applied to total sales of merchandise, food, refreshments, and charges for admission, in areas where entertainment is provided, in accordance with the Federal Cabaret tax that existed in 1965.	Status:	Existing source
Legal Reference:	NRS 463.401		
Rate and Application:	10 percent of all amounts paid for admission, food, refreshments, and merchandise during certain casino entertainment	Distribution:	State General Fund
Exemptions:	Licensees with not more than 50 slot machines or not more than 5 games or any combination of machines and games within those limits, or if no alcoholic beverage is served or permitted to be consumed; only light refreshments served; no charge for dancing where space provided; music if instrumental or other music supplied without any charge to the owner, lessee or operator or to any concessionaire; or mechanical music. Excludes events in auditoriums. Auditoriums are defined by NRS 463.4002 as venues with more than 2,700 seats.	Collection Procedure:	Licensees report and remit the tax each calendar month on or before the 24th day of the following month.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$63,919,196	Growth Rate (91-01):	11.7%
Allocation Breakdown:	State General Fund $63,919,196	Forecast Determinates:	Visitation, Population, & Entertainment Spending
		Dependence on Growth:	Low

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Casino Entertainment Tax

Generating Ability: $1,597,980

Per: $0.0025 (quarter cent) increase in the tax rate.

Elasticity Calculations:

Base: Gross State Product 1.455

Base: Income 1.560

Inflation Adjustment: Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.

QUALITATIVE CONSIDERATIONS

Consideration: Revenue Generation

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Source generates more than $30 million but less than $100 million annually. It is considered moderately productive when compared to the balance of sources reviewed.

*****

Consideration: Transparency

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: Horizontal Equity

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Generally, horizontally equitable. Two non-restricted licensees to which this tax applies generating the same amount of taxable income from entertainment offerings would be expected to have the same tax liability.

*****

Consideration: Ease of Compliance

Evaluation Summary: Moderately easy to comply.

Consideration: Predictability

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable based on spending patterns reported for Nevada casinos.

*****

Consideration: Stability

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable, reporting in increasing inflation adjusted per capita trend. This source is also dependent upon tourist visitation and consumer spending patterns. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 14 percent between FY 1991 and FY 2001.

*****

Consideration: Vertical Equity

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 6

Comments:

Generally equitable. Because the tax is based on a percentage of total sales, establishments generating more revenue will tend to pay more. This assumes, of course, that operating margins are relatively consistent.

*****

Consideration: Ease of Administration

Evaluation Summary: Moderately easy to administer.

Notes:

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Evaluation Score (1-10): 6

Comments:

Many questions have been raised regarding what spending is subject to the casino entertainment tax. Thus, compliance has been somewhat more burdensome than other levies.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is substantially higher or lower than in

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's casino entertainment tax is the last of the Federal Cabaret tax that existed in 1965. Other than general sales and use taxes, no other areas were identified that utilize this tax (or any derivation there of).

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Casino entertainment taxes are general fund revenues; and as such, they are highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 8

Comments:

Highly exportable. Entertainment spending by visitors generates a significant share of taxable sales. To that extent, the tax is highly exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Evaluation Score (1-10): 6

Comments:

There have been a number of challenges to what is and what is not subject to the casino entertainment tax. To that extent, the tax has been somewhat burdensome to administer.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 6

Comments:

Casino entertainment tax, at times, violates the principal of economic neutrality. Because of the limitations on sizes and form or substance approach to its application, some businesses act differently than they might otherwise because of the levy.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately non-uniform.

Evaluation Score (1-10): 5

Comments:

Broadly speaking, this is an expanded application of the retail sales and use tax that is applied only to limited entertainment activities in a limited number of restricted gaming establishments. Within those limitations it is uniformly applied.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

Casino Entertainment Tax

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Insurance Premium Tax

REVENUE: Insurance Premium Tax
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Insurance Premium Taxes

GENERAL INFORMATION

Description:	Tax based on insurer's net premiums.	Status:	Existing source
Legal Reference:	NRS 680B		
Rate and Application:	3.5 percent of net premiums. Insurers with a home or regional office in Nevada may take a credit, based on certain limitations (see exemptions).	Distribution:	State General Fund
Exemptions:	Any insurer holding a certificate of authority as a reinsurer only. Note: 50 percent credit on aggregate tax and full credit for property taxes allowed if insurer maintains a home or regional home office in Nevada as described in NRS 680B.050. Cannot exceed 80 percent of tax otherwise due.	Collection Procedure:	Annual premium tax reports are due March 15, and must be accompanied by tax payment. Insurers having a premium tax liability of $2,000 or more in the prior calendar year shall submit tax based on actual prior quarter collections remitted 30 days after the quarter. Note: Insurance companies regulated by Division of Insurance. Tax payments made to Department of Taxation.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority

ECONOMICS

Total Revenue (2001):	$146,917,892	Growth Rate (91-01):	9.0%
Allocation Breakdown:	State General Fund $146,917,892	Forecast Determinates:	Population & Employment
		Dependence on Growth:	Low
Generating Ability:	$10,494,135	Elasticity Calculations:	
Per:	0.25 percent (quarter percent) increase in the tax rate.	Base: Gross State Product	0.884
		Base: Income	1.046
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.		

QUALITATIVE CONSIDERATIONS

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Insurance Premium Tax

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 7

Comments:

Source generates more than $100 million but less than $250 million annually. Comparatively speaking, it is a relatively productive source of revenue for the state.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Moderately transparent. The burdens of firms and individuals subject to the tax are clearly calculable. Relatively few exemptions to the tax indicate that it is a generally socially desirable revenue source. It should be noted that this is a pass through tax, and several consumers may be unaware that it is built into their annual premiums.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Less the exemption noted for insurance carriers with a home or regional office in Nevada, two carriers underwriting the same amount of coverage would be expected to pay the same amount of tax.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Relatively predictable based on population, employment and inflation.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 9

Comments:

Highly stable, with a slight increasing growth trend. The variations in insurance premium taxes are among the lowest of any reviewed revenue sources. Moreover, the base is relatively broad and the need for insurance coverage is largely unaffected by mild economic cycles. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 3 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally equitable. Because the tax is based on a percentage of total premiums, establishments generating more revenue will tend to pay more. This assumes, of course, that operating margins are relatively consistent.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 9

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Notes:

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Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's insurance premium tax rate of 3.5 percent is among the highest in the country. Only Alabama has a higher rate (3.6 percent) and Texas also reports a rate of 3.5 percent.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 3

Comments:

Generally, not exportable. Insurance premiums are for policyholders in Nevada and tend to be drawn for local incomes or earnings.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to insurance premium taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of the insurance premium tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Broadly speaking, insurance premium taxes are not uniform because they are business taxes applied only to a specific industry. Within the sector, however, the tax is uniformly applied to all insurance carriers.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Liquor Tax

REVENUE: Liquor Tax
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Excise Taxes

GENERAL INFORMATION

Description:	Excise tax on importation, processing, storing or selling of all liquor including beer containing 0.5 percent or more of alcohol by volume and used for beverage purposes. Sales tax is collected on the total price.	Status:	Existing source
Legal Reference:	NRS 369		
Rate and Application:	$2.05 per gallon for products with over 22 percent alcohol; $0.75 per gallon for products with 14 percent to 22 percent alcohol; $0.40 per gallon for products with up to 14 percent alcohol; and $0.09 per gallon for malt beverages, including beer.	Distribution:	State General Fund - all revenues except for 65 cents per gallon of the tax on liquor containing over 22 percent alcohol; Liquor Program Account - receives 15 cents per gallon from the tax on liquor over 22 percent; Local Government Tax Distribution Fund - 50 cents per gallon of the tax on liquor containing over 22 percent alcohol.
Exemptions:	Common carriers in interstate commerce. Army-Navy exchanges, clubs or messes. Schools, hospitals or churches if for medical, scientific, religious or industrial purposes. Credit allowed for export out of state. Individuals may import twelve (12) cases per year for personal use.	Collection Procedure:	Licenses issued by the Department of Taxation. Returns due by the 20th of each month on all imports during prior month. If paid on or before the 15th, a 3 percent discount is allowed.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$18,877,492	Growth Rate (91-01):	2.7%
Allocation Breakdown:	State General Fund $15,745,514; Liquor Program Account $722,764; Local Governments $2,409,214	Forecast Determinates:	Population & Employment
		Dependence on Growth:	Low
Generating Ability:	$734,277	Elasticity Calculations:	
Per:	per $0.01 increase in the rates respectively. $607,570 for malt liquor (including beer); $69,121 for wine (.5 percent to 14 percent alcohol); $7,675 for	Base: Gross State Product	0.246
		Base: Income	0.236

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	cordials (14 percent to 22 percent alcohol); $7675 for hard liquor (above 22 percent alcohol).
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 5

Comments:

Source generates more than $10 million but less than $30 million annually. It is considered moderately productive when compared the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. Individual burdens are clearly calculable, and the tax reflects the fiscal axiom of generating public revenues from socially undesirable behaviors, particularly those that have measurable and material externalities as compared to their social and economic value.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two consumers earning the same amount of money would be expected to pay relatively similar shares of their income in liquor taxes. Any variation would be related to consumer preferences.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable based on population & employment.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

Generally stable. While this revenue source is declining in inflation adjusted terms, the decline is largely the result of its structure which is unitary, without any adjustment for inflation. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 17 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 2

Comments:

Taxes on liquor are generally agreed to be among the most regressive taxes in the public revenue arsenal. Lower income consumers spend a materially higher share of their aggregate income on liquor purchases; and as such, their resulting personal tax liability (in relative terms) is substantially greater than that of individuals with higher incomes.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Liquor Tax

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's liquor taxes are among the lowest in the country.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 4

Comments:

Spending by visitors generates a significant share of the State's liquor sales. To that extent, the tax is exported.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state.

Evaluation Score (1-10): 8

Comments:

Liquor taxes are not generally competitive among jurisdictions within the state due to consumers' inability to "shop rates." We note, however, that liquor tax is part of the formula-based consolidated tax distribution, which allocates selected revenues among Nevada's counties and cities (first and second tier). This distribution has been an area of inter-jurisdictional competitiveness in recent years.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of the liquor tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

Liquor taxes are applied to all types of consumer goods containing alcohol for consumption purposes. However, the tax does treat different types of alcohol differently depending on content. In that sense, the levy violates the principle of uniformity.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Cigarette Tax

REVENUE: Cigarette Tax
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Excise Taxes

GENERAL INFORMATION

Description:	Excise tax on the sale and distribution of cigarettes. Tax prepaid by the wholesaler and recovered from the consumer by adding the tax to the selling price. In addition, sales tax is collected on the total selling price of cigarettes and other tobacco products.	Status:	Existing source
Legal Reference:	NRS 370		
Rate and Application:	17.5 mills per cigarette ($0.35 per pack of 20); $150 per year for wholesaler's license fee.	Distribution:	10¢ per package of 20 cigarettes (less administrative fee) is deposited in the "local government tax distribution fund". Redistribution within each county is by statutory formula; 25¢ per package of 20 cigarettes plus the tax on other tobacco products is deposited to the State General Fund.
Exemptions:	Common carriers engaged in interstate commerce, the Army, Air Force, Navy or Marine Corps, veterans hospitals, post exchanges, officers' messes and sales within federal enclaves. Sales by Indian "smoke shops" providing Tribe imposes a tax equal to state levy.	Collection Procedure:	Licensed cigarette wholesalers purchase stamps or meter settings to be affixed or imprinted on each pack from Department of Taxation. Collection allowance for cigarette dealers is 3 percent discount; tobacco dealers receive a 2 percent discount. Tax must be paid before tobacco is sold.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$60,757,050	Growth Rate (91-01):	2.5%
Allocation Breakdown:	Local Governments $17,065,498; State General Fund $43,691,552	Forecast Determinates:	Population & Employment
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	0.198
		Base: Income	0.218

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Inflation Adjustment: Unitary tax. Not designed to adjust with inflation.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Source generates more than $30 million but less than $100 million annually. It is considered moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. Individual burdens are clearly calculable, and the tax reflects the fiscal axiom of generating public revenues from socially undesirable behaviors, particularly those that have measurable and material externalities as compared to their social and economic value.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two consumers paying earning the same amount of money would be expected to pay relatively similar shares of their income in cigarette taxes. Any variation would be related to consumer preferences.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable based on population & employment.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

Generally stable. While this revenue source is declining in inflation adjusted terms, the decline is largely the result of its structure which is unitary, without any adjustment for inflation. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 17 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 2

Comments:

Taxes on cigarettes are generally believed to be among the most regressive taxes in the public revenue arsenal. Lower income consumers spend a materially higher share of their aggregate income on cigarette purchases; and as such, their resulting personal tax liability (in relative terms) is substantially greater than that of individuals with higher incomes.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 7

Comments:

Administration of the tax is considered reasonable.

*****

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Cigarette Tax

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's cigarette taxes are below the U.S. median rate of $0.411 per pack of 20. Note that a number of states have increased their rates or plan to increase their rates over then next two years. This is estimated to bring the U.S. median rate up to $0.48 per pack, making Nevada's rate increasing less competitive.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 4

Comments:

Spending by visitors generate a significant share of the State's cigarette sales. To that extent, the tax is exported.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state.

Evaluation Score (1-10): 8

Comments:

Cigarette taxes are not generally competitive among jurisdictions within the state due to consumers' inability to "shop rates." We note, however, that cigarette tax is part of the formula-based consolidated tax distribution, which allocates selected revenues among Nevada's counties and cities (first and second tier). This distribution has been an area of inter-jurisdictional competitiveness in recent years.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of the cigarette tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform in application.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Tax on Other Tobacco Products

REVENUE: Tax on Other Tobacco Products
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Excise Taxes

GENERAL INFORMATION

Description:	Excise tax on the sale and distribution of non-cigarette tobacco products. Tax prepaid by the wholesaler and recovered from the consumer by adding the tax to the selling price. In addition, sales tax is collected on the total selling price of cigarettes and other tobacco products.	Status:	Existing source
Legal Reference:	NRS 370.440 to 370.503		
Rate and Application:	30 percent of the wholesale price of tobacco products, other than cigarettes	Distribution:	State General Fund
Exemptions:	Common carriers engaged in interstate commerce, the Army, Air Force, Navy or Marine Corps, veterans hospitals, post exchanges, officers' messes and sales within federal enclaves. Sales by Indian "smoke shops" providing Tribe imposes a tax equal to state levy.	Collection Procedure:	Licensed cigarette wholesalers purchase stamps or meter settings to be affixed or imprinted on each pack from Department of Taxation. Collection allowance for cigarette dealers is 3 percent discount; tobacco dealers receive a 2 percent discount. Tax must be paid before tobacco is sold.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$5,602,823	Growth Rate (91-01):	10.8%
Allocation Breakdown:	State General Fund $5,602,823	Forecast Determinates:	Population & Employment
		Dependence on Growth:	Low
Generating Ability:	$140,071	Elasticity Calculations:	
Per:	$0.0025 (quarter cent) increase in the tax rate.	Base: Gross State Product	1.610
		Base: Income	1.371
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.		

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Tax on Other Tobacco Products

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. Individual burdens are clearly calculable, and the tax reflects the fiscal axiom of generating public revenues from socially undesirable behaviors, particularly those that have measurable and material externalities as compared to their social and economic value.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two consumers earning the same amount of money would be expected to pay relatively similar shares of their income in other tobacco taxes. Any variation would be related to consumer preferences.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable based on population & employment.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

Generally stable, with an increasing trend. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 18 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 2

Comments:

Taxes on other tobacco products are generally believed to be among the most regressive taxes in the public revenue arsenal. Lower income consumers spend a materially higher share of their aggregate income on cigarette purchases; and as such, their resulting personal tax liability (in relative terms) is substantially greater than that of individuals with higher incomes.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 7

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Tax on Other Tobacco Products

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: Flexibility

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: Exportability

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 4

Comments:

Spending by visitors generate a significant share of the State's other tobacco product sales. To that extent, the tax is exported.

*****

Consideration: Integration

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Evaluation Summary: Some indirect competition among jurisdictions within the state.

Evaluation Score (1-10): 8

Comments:

Taxes on other tobacco products are not generally competitive among jurisdictions within the state due to consumers' inability to "shop rates." We note, however, that taxes on other tobacco products are part of formula-based consolidated tax distribution among Nevada's counties and cities (first and second tier distributions, respectively)). This distribution has been an area of inter-jurisdictional competitiveness in recent years.

*****

Consideration: Economic Neutrality

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of taxes on other tobacco products materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: Uniformity

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform in application.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Jet Fuel Tax

REVENUE: Jet Fuel Tax
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Tax on the fuel sold, distributed or used in airplanes.	Status:	Existing source
Legal Reference:	NRS 365.170(1)(b)		
Rate and Application:	$0.01 per gallon statewide on fuel for jet or turbine-powered aircraft; up to $0.04 per gallon county option.	Distribution:	Local governments for airport improvement including group transportation and promotion of the airport.
Exemptions:	Fuel in interstate or foreign commerce; exported from Nevada; sold to the United States Armed Forces. State and political subdivisions are exempt from the local option tax. No refunds allowed on jet fuel.	Collection Procedure:	Returns and payments due on or before the 25th of each month for all jet fuel distributed or used in the county in the preceding calendar month. A 2 percent discount is given dealer for timely filing and collection on the State portion of the tax. No discount is allowed on the local portion.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people. There may be federal restrictions on the use of the proceeds related to revenue diversion laws.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority. However, Federal Revenue Diversion laws, as they relate to airport operations, may limit uses of proceeds

ECONOMICS

Total Revenue (2001):	$12,455,419	Growth Rate (91-01):	n/a
Allocation Breakdown:	Local Governments $12,455,419	Forecast Determinates:	Tourist Visitation
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	(0.819)
		Base: Income	(0.768)
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Jet Fuel Tax

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 5

Comments:

Source generates more than $10 million but less than $30 million annually. It is considered moderately productive when compared the balance of sources reviewed.

*****

Consideration: Transparency

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 6

Comments:

Moderately predictable based on population & employment.

*****

Consideration: Horizontal Equity

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two airlines generating the same amount of revenue would be expected to pay similar amounts of jet fuel taxes. This assumes that the revenue per seat mile traveled and consumption efficiency is relatively uniform throughout the industry.

*****

Consideration: Ease of Compliance

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: Interstate Competitiveness

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Moderately predictable based on population & employment.

*****

Consideration: Stability

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Changes to the tax over time (reporting, etc.) makes evaluating tax stability challenging.

*****

Consideration: Vertical Equity

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Comments:

Generally, vertically equitable. If one air carrier was to generate more revenue, it would be expected to pay a higher tax. This assumes that the revenue per seat mile traveled and consumption efficiency is relatively uniform throughout the industry.

*****

Consideration: Ease of Administration

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: Intrastate Competitiveness

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to jet fuels tax.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Jet Fuel Tax

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 6

Comments:

Spending by visitors supports a significant share of the state's air travel activity. To that extent, the tax is exported.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of jet fuel tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform in application.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Special Drug Manufacturing Tax

REVENUE: Special Drug Manufacturing Tax
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Tax on the gross receipts from the sale of Laetrile or Gerovital H3 by the manufacturer. No deductions are allowed for the cost of the substances, material used, labor or service, transportation or marketing.	Status:	Existing source
Legal Reference:	NRS 585.497		
Rate and Application:	10 percent of gross receipts.	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	Each manufacturer shall register and report sales and pay assessments during the months of January, April, July and October for the preceding quarter.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$2,692	Growth Rate (91-01):	-17.1%
Allocation Breakdown:	State General Fund $2,692	Forecast Determinates:	None
		Dependence on Growth:	Low
Generating Ability:	$67	Elasticity Calculations:	
Per:	$0.0025 (quarter cent) increase in the tax rate.	Base: Gross State Product	(0.590)
		Base: Income	(0.615)
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Relatively unproductive.	Evaluation Summary:	Relatively unpredictable.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Special Drug Manufacturing Tax

Evaluation Score (1-10): 2

Comments:

Source generates less than $100,000 annually. As such, it is among the least productive revenue sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Individual burdens are easily calculable, and the tax is focused specifically on the drugs to be regulated.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Generally, horizontally equitable.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Evaluation Score (1-10): 2

Comments:

Relatively unpredictable. Due primarily to fluctuation in the demand (manufacture) of the drugs in questions.

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Evaluation Score (1-10): 4

Comments:

Relatively unstable. Source is highly variable, ranging from $0 to more than $1,000 each year. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 86 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 6

Comments:

Because the fee is based on a percentage of sales, it is generally considered vertically equitable. We not, however, that the fees base is extremely narrow.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to special drug manufacturing tax.

*****

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Special Drug Manufacturing Tax

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 6

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of special drug manufacturing tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Generally uniform in application.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Business License Tax

REVENUE: Business License Tax
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Tax imposed on persons conducting business in the State of Nevada.	Status:	Existing source
Legal Reference:	NRS 364A		
Rate and Application:	$25 for each equivalent full-time employee (468 hours) employed by the business during the calendar quarter.	Distribution:	State General Fund
Exemptions:	Non-profit religious, charitable or educational associations and governmental entities or a business that creates or produces motion pictures. Hours worked by pupils in school-supervised work-study programs as well as equal hours worked by one full-time or part-time employee. Also, partial exemption to employer who provides childcare. A new or expanding business may qualify for a partial abatement.	Collection Procedure:	Business must first obtain a state business license (see fees below). Tax is due on the last day of each calendar quarter and must be paid on or before the last day of the following month, unless total tax due each quarter is less than $25, then an annual payment is required.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$77,270,722	Growth Rate (91-01):	5.7%
Allocation Breakdown:	State General Fund $77,270,722	Forecast Determinates:	Employment
		Dependence on Growth:	Low
Generating Ability:	$3,090,829	Elasticity Calculations:	
Per:	per $1 increase in the quarterly tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Business License Tax

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Source generates more than $30 million but less than $100 million annually. It is considered moderately productive when compared to the balance of sources reviewed.

*****

Consideration: Transparency

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 9

Comments:

Relatively transparent. Individual burdens are easily calculable, and the tax is used as a primary mechanism for broadening the tax base away from non-gaming, non-mining, and non-insurance industries. The noted exemptions allow the revenue source to be tailored specifically to omit socially desirable employment or economic development (i.e., not for profits, etc.).

*****

Consideration: Horizontal Equity

Evaluation Summary: Moderately inequitable (horizontally).

Evaluation Score (1-10): 5

Comments:

The profitability of a firm per employee varies greatly between and within industries. As such, two firms earning the same level of revenue will not necessarily have the same tax liability. The company which creates more jobs is effectively taxed at a higher rate.

*****

Consideration: Ease of Compliance

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: Interstate Competitiveness

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Tax is relatively predictable because it is based on employment which is tracked monthly by the department of employment training and rehabilitation.

*****

Consideration: Stability

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable. While employment will tend to vary with business cycles, this is most often a function of growth as opposed to actual downsizing of firms. This revenue source is declining in inflation adjusted terms; however, the decline is largely the result of its structure which is unitary, without any adjustment for inflation. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 34 percent between FY 1991 and FY 2001. Approximately 26 percent of that variation was attributable to inflation.

*****

Consideration: Vertical Equity

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 6

Comments:

The equity concerns outlined in the adjacent treatment of vertical equity are also germane to the immediate topic. The fact two firms require different number of employees does not necessarily have a direct relationship to the firms' ability to generate revenue or its profitability. As such, labor-intensive businesses bare a greater relative burden than do businesses that support fewer jobs.

*****

Consideration: Ease of Administration

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: Intrastate Competitiveness

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Business License Tax

Evaluation Summary: Levy is substantially higher or lower than in

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Most states do not impose a business license tax. Rather, they have a business income tax or other similar levy. Nevada businesses pay significantly less than similar businesses in other jurisdictions.

*****

Consideration: Flexibility

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: Exportability

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 3

Comments:

Generally, business license taxes are not exportable. That having been said, to the extent that a company's profit is removed from Nevada once distributed, as in the case of publicly held companies, the tax is theoretically exported. This argument, while particularly pertinent to broad business taxes, could be made of any tax paid by a company largely held by non-Nevadans.

*****

Consideration: Integration

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to special business licensee taxes.

*****

Consideration: Economic Neutrality

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of Nevada's business license tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: Uniformity

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

A number of sole proprietors and other similar businesses are exempt from the BLT. To that extent it lacks uniformity.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Business License Fee

REVENUE: Business License Fee
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Fee imposed on businesses at the time they receive a license to operate in the State of Nevada.	Status:	Existing source
Legal Reference:	NRS 364A		
Rate and Application:	$25 one time filing fee.	Distribution:	State General Fund
Exemptions:	n/a	Collection Procedure:	Payments are due at the time an application to receive a business license is sought.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$523,032	Growth Rate (91-01):	13.1%
Allocation Breakdown:	State General Fund $523,032	Forecast Determinates:	Annual Employment Growth
		Dependence on Growth:	High
Generating Ability:	$20,921	Elasticity Calculations:	
Per:	per $1 increase in the filing rate	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Relatively unproductive.	Evaluation Summary:	Moderately unpredictable.
Evaluation Score (1-10):	3	Evaluation Score (1-10):	5
Comments:	Sources generates more than the lowest producers (e.g., those generating less than $100,000 annually); however, at less than $1 million is remains among the less productive sources reviewed.	Comments:	Relatively difficult to predict because the number of firms entering the market in any given year varies.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Business License Fee

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 9

Comments:

Relatively transparent. Individual burdens are easily calculable, and the tax is used as a primary mechanism for broadening the tax base away from non-gaming, non-mining, and non-insurance industries. The noted exemptions allow the revenue source to be tailored specifically to omit socially desirable employment or economic development (i.e., not for profits, etc.).

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two businesses generating the same amount of revenue would pay the same $25 business license fee.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Because of a statutory conflict, who should and who should not file a license has been questionable.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Evaluation Score (1-10): 4

Comments:

Moderately unstable. The number of firms relocated or expanding into Nevada is highly dependent on the overall performance of the economy.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

Because each firm pays the same fee, firms generating smaller revenues pay a relative higher percentage (of revenue) than firms generating larger revenues.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to business licensee fees.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Business License Fee

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: Exportability

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 3

Comments:

Generally, not exportable.

*****

Consideration: Integration

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Evaluation Score (1-10): 9

Comments:

There is no indication that the existence or application of Nevada's business license fees materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: Uniformity

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

A number of sole proprietors and other similar businesses are exempt from the BLT. To that extent it lacks uniformity.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Short-Term Car Rental Fee

REVENUE: Short-Term Car Rental Fee
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Fees charged on the total amount for which a car is leased, excluding taxes or fees imposed by a governmental entity.	Status:	Existing source
Legal Reference:	NRS 482.313		
Rate and Application:	6 percent of the total amount for which the passenger car was leased	Distribution:	State General Fund
Exemptions:	Leases to governmental entities.	Collection Procedure:	Tax due each calendar quarter and payable by the last day of the month following each calendar quarter, effective January 1, 2002. Note: Currently, the short-term lessor withholds an amount equal to the amount of vehicle licensing fees and taxes paid during the preceding year. The entire 6 percent governmental services fees collected will go to the State General Fund, less a recovery surcharge not to exceed 3.5 percent.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$8,288,217	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $8,288,217	Forecast Determinates:	Tourist Visitation
		Dependence on Growth:	Low
Generating Ability:	$345,342	Elasticity Calculations:	
Per:	0.25 percent (quarter percent) increase in the tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.		

QUALITATIVE CONSIDERATIONS

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Short-Term Car Rental Fee

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. Individuals burdens are easily calculable, however, the tax is largely a pass through to non-resident consumers. To some, it may merely appear as a relatively high rental car rate.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Because the tax is based on a percentage rate, two consumers renting the same car would be expected to pay the same level of taxes. Any differences would largely be associated with personal preferences (i.e., tastes).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Fee is relatively predictable based on visitor volume statistics.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

The source in and of itself is relatively stable. Like gaming taxes, however, its base is narrow, being directly dependent on the health of the gaming and tourism markets.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally, vertically equitable. The incidences of rental car activities tends to rise with wealth (as does travel). As such, a wealthier consumer would be expected to contribute a higher relative share of their disposable income to rental car taxes than would a less wealthy consumer.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Short-Term Car Rental Fee

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 9

Comments:

Spending by visitors supports a significant share of the state's car rental sales. To that extent, the tax is highly exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Generally, there are no intrastate competitive factors relating to short-term car rental fees.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of Nevada's short-term car rental fee materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

Generally uniform in application.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Property Tax

REVENUE: Property Tax
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Ad Valorem Taxes

GENERAL INFORMATION

Description:	Taxable value for land is full cash value; for improved land. Cash value is based on actual use; for improvements, value is replacement cost less depreciation at 1.5 percent per year up to 50 years. Assessment is 35 percent of taxable value.	Status:	Existing source
Legal Reference:	NRS 361; Nevada Constitution Article 10, Section 1		
Rate and Application:	$0.15 state debt rate; $0.75 school districts (other than debt); weighted average statewide rate $3.0339	Distribution:	Counties, cities, towns, special districts, school districts, and the state consolidated bond interest and redemption fund.
Exemptions:	Real Property - governmental; religious, educational and some charitable organizations; partial exemption for the blind, surviving spouses, orphans, veterans. Limited deferral on agricultural land and apprentice training programs. Some abatements are also allowed. Personal Property - in addition to those previously noted, household furnishings, boats, inventory, goods in transit (Freeport), raw materials used in manufacturing, electric generation using renewable energy resources; computer equipment donated to a foundation for use in schools; art work valued at $25,000 or more on public display, consumable business supplies. Also some abatements provided for economic development and apprentice training programs.	Collection Procedure:	Real and secured personal property: assessed July 1; placed on tax roll in December; taxes payable in four installments, 3rd Monday of August, and 1st Monday of October, January and March. Unsecured property: assessed between May 1 and April 30; taxes due on notice, except mobile homes and business personal property may be paid in four installments if certain conditions are met.
Requirements to Change:	Legislature has authority to increase rates within the $5.00 Constitutional limit. Any increase would require a 2/3-majority approval in both houses of the Legislature. A change in the $5.00 Constitutional limit would require an amendment to the Constitution.	Statutory Limitations:	Maximum rate limited by Constitution to $5 per $100 assessed value. Statutes lower the limit to a total combined tax rate of $3.64. Under limited emergency circumstances, the rate may exceed $3.64. Further, local governments, other than schools, are limited in the total amount of revenue which can be received from property tax. Revenue overrides may be approved by voters or Legislature. Legislature has authority to increase within Constitutional constraints,

ECONOMICS

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Property Tax

Total Revenue (2001):	$1,509,326,840	Growth Rate (91-01):	n/a
Allocation Breakdown:	n/a	Forecast Determinates:	Construction Activity & Real Property Value Appreciation
		Dependence on Growth:	High. Due primarily to the existing depreci
Generating Ability:	$5,117,207	Elasticity Calculations:	
Per:	$0.01 (one cent) increase in the property tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Adjusts automatically for inflation based on property appreciation/depreciation over time (e.g., changes in replacement cost, which is an arms length retail transaction). Note that property is automatically depreciated at 1.5 percent each year.		

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 10

Comments:

Combined, property taxes generate more than $1.5 billion annually. They are the most robust sources of revenue in Nevada.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 9

Comments:

Relatively transparent. Property tax burdens are easily calculable, and they are based on the generally accepted approach of generating public revenues from the states personal and real property value.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 9

Comments:

Property taxes are relatively predictable due to the general stability in property values over time. Even in an economic downturn, property values are generally among the last revenues to show weakness.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 9

Comments:

Relatively stable, with a general growth trend. While economic history has shown that property taxes are susceptible to strong economic downturns, they are among the most stable sources of revenue because the scarce nature of property tends to result in a maintenance or appreciation of value.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Property Tax

Comments:

Residentially, horizontally equitable. Non-residentially, moderately equitable. Two households owning or using the same amount of real or personal property would be expected to pay the same amount of property tax (either directly or through built in rent premiums). We note, however, that the relationship between corporate revenue and real or personal property assets, while direct, is not necessarily one-to-one. As such, two firms with the same revenue may very well have quite different property tax obligations (c.f. a manufacturing firm and a finance company).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's property tax generally ranks relatively low when compared to other states. This is particularly true in the case of commercial real estate, in which Nevada ranks 49th out of the 50 states.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

Comments:

Moderately, vertically equitable. While the amount of property owned tends to increase with wealth, the share of one's income allocated to the payment of property taxes tends to decline with wealth. In other words, the increases are not necessarily proportionate. As a result, wealthier consumers contribute more property tax dollars, but poorer residents contribute a higher share of their income to property tax payments. With regard to businesses, greater profitability does not necessarily equate to greater property ownership, although in many instances that is the case. As such, a business with relatively less property but relatively high profitability would pay a smaller share of its income in property tax payments than would a less profitable, but property intensive company.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 6

Comments:

Administration of the tax is considered reasonable. That having been said, the amount of work that goes into the calculating, processing and collection property taxes are higher than other revenue sources.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to property taxes. We note that property taxes vary from region to region; however, it is not likely that the types of personal and real property subject to this levy would be physically located in an alternative jurisdiction in an effort to profit from a lower assessment rate.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

There is no indication that the existence or application of Nevada's property tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Property Tax

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 2

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform. Property tax rates do vary from region to region, however, its application is generally uniform.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Gasoline Tax

REVENUE: Gasoline Tax
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Fuel Taxes

GENERAL INFORMATION

Description:	Per gallon tax of motor vehicle fuel sold, distributed or used. Includes gasoline, gasohol, and any other flammable or combustible liquid for which the chief use is for propulsion of motor vehicles. Does not include kerosene, oil, fuel oil, aviation fuel, jet fuel, diesel fuel or liquefied petroleum gas.	Status:	Existing source
Legal Reference:	NRS 365 and 373		
Rate and Application:	$0.23 per gallon state mandated rate; $0.01 per gallon county mandated rate for road repair; up to $0.09 per gallon county ordinance for regional transportation projects.	Distribution:	State mandated rate is $0.23. State Highway Fund - receives 17.65 cents per gallon of the State mandated tax and Local Government Road Funds receives the remaining $0.0535. Please note that gas taxes are distributed based on a number of formulas. For more information on each please see NRS 370.
Exemptions:	Fuel in interstate or foreign commerce; exported from Nevada; sold to the United States Armed Forces; and leaded fuel used in racecars. Refunds allowed for exports; fuel sold to tribal members; and off highway use except fuel used in watercraft for recreational purposes. Claims must be filed within 6 months of purchase. A minimum claim for 200 gallons for a 6-month period is required. Claims for exported fuel must be filed within 3 months of export.	Collection Procedure:	Returns and payments due on or before the 25th of each month for fuel distributed or used the preceding calendar month. Two percent dealer discount is allowed for timely filing and cost of collection.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people. A change in the Constitution restriction on use of proceeds would require a Constitutional amendment.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority. Constitution limits use of proceeds of any excise tax on fuel to street and highway construction and maintenance, including administration.

ECONOMICS

Total Revenue (2001):	$306,184,219	Growth Rate (91-01):	n/a

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Gasoline Tax

Allocation Breakdown:	State Highway Fund $163,119,725; Local Government Road Funds $138,213,113; Non-Road Allocations $3,234,104; Off-Highway Use Refunds $848,243; Administrative Costs; $670,034	Forecast Determinates:	Population, Taxable Gasoline Gallons, and Consumer Price Index for Gasoline
		Dependence on Growth:	Moderate
Generating Ability:	n/a	Elasticity Calculations:	
Per:	$0.01 (one cent) increase in the gasoline tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 8

Comments:

Source generates more than $250 million but less then $500 million annually. It is among the highest generating revenue sources in the state and is considered relatively productive.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. The tax burden is easily calculable; however, the inelasticity of demand for fuel suggests that external increases are largely borne by the consumer. Some consumers may be unaware of the tax. This fact not withstanding, these taxes are generally used to fund transportation related needs, they are tailored to a socially desirable end.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two consumers earning the same amount of money would be expected to pay relatively similar shares of their income in other gasoline taxes. Some individuals and corporations tend to travel more than others, to the extent that is a consequence of normal economic activity, some inequity may exist.

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Relatively predictable based on consumption trends and the consumer price index for gasoline.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 8

Comments:

Relatively stable. While there is some variability in the amount of fuel consumed resulting from production-price tradeoffs, weather, and other exogenous variables the general reliance on gasoline promotes a consistent per capita contribution from this source.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Moderately, vertically inequitable. Gasoline taxes tend to be regressive in nature. Dependence on the automobile today is greater than it has ever been. Moreover, the vast majority of Nevada's consumers live in remote or highly automobile dependent regions where public transportation is a limited alternative. The result is that

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Gasoline Tax

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively inflexible.

Evaluation Score (1-10): 3

Comments:

Nevada's Constitution specifically reserves the proceeds from fees for licensing and registration of motor vehicles and excise taxes on fuel for construction, maintenance and repair of public highways. (See Nev. Con. Art. IX Sec. 5). It should be noted that tax imposed upon motor vehicles by the legislature in lieu of an ad valorem property tax is specifically exempted from this reservation.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 4

Comments:

Spending by visitors supports a significant share of the gasoline sales. To that extent, the tax is exported to those individuals.

*****

lower income consumers tend to spend a higher share of their disposable income on the purchase of fuels than do higher income consumers.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to gasoline taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of Nevada's gasoline tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

Different types of fuels are taxed at different rates. To that extent, the tax is not uniformly applied.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

Gasoline Tax

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Tax on Special Fuel

REVENUE: Tax on Special Fuel
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Fuel Taxes

GENERAL INFORMATION

Description:	Tax on the special fuels consumed, sold, distributed or used.	Status:	Existing source
Legal Reference:	NRS 366; NRS 365.203		
Rate and Application:	$0.27 per gallon on all special fuels except compressed natural gas; $0.21 per gallon on compressed natural gas; $0.22 per gallon for liquid petroleum gas; $0.19 per gallon of water-phased hydrocarbon fuel.	Distribution:	State Highway Fund
Exemptions:	The sale or use of special fuel for any purpose other than to operate or propel a motor vehicle upon the public highways of Nevada and occasional use of public highways by special mobile or farm equipment. Sales to the United States, its instrumentalities, the State of Nevada and its political subdivisions.	Collection Procedure:	Special fuel tax is collected on all clear special fuels at the pump. Special fuels which have been dyed pursuant to federal standards are tax-exempt. Dealers/retailers of LPG & CNG file reports and payments of taxable and non-taxable sales on a monthly basis. Quarterly user reports are due on or before the last day of the first month after the end of the quarter. Reports include reconciliation of fuel purchased versus fuel consumed in Nevada. Balance owed and request for refund is submitted with the quarterly report.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people. A change in the Constitution restriction on use of proceeds would require a Constitutional amendment.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority. Constitution limits use of proceeds of any excise tax on fuel to street and highway construction and maintenance, including administration.

ECONOMICS

Total Revenue (2001):	$69,853,848	Growth Rate (91-01):	n/a
Allocation Breakdown:	State Highway Fund $69,853,848	Forecast Determinates:	Employment
		Dependence on Growth:	Moderate
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Inflation Adjustment: Unitary tax. Not designed to adjust with inflation.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Source generates more than $30 million but less than $100 million annually. It is considered moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. The tax burden is easily calculable; however, the inelasticity of demand for fuel suggests that external increases are largely borne by the consumer. Some consumers may be unaware of the tax. This fact not withstanding, these taxes are used to fund transportation related needs, they are tailored to a socially desirable end.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two entities or individuals generating or earning same amount of revenue would be expected to pay relatively similar shares special fuel taxes. Generally, horizontally equitable. Two consumers earning the same amount of money would be expected to pay relatively similar shares of their income in other tobacco taxes. Any variation would be related to consumer preferences. We note, however, that increased usage may be tied to increased negative externalities (i.e., air pollution impacts and road deterioration).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable. There is generally less information available on the average annual consumption of special fuels. Therefore, it is more difficult to assess general growth trends.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 8

Comments:

Relatively stable. While there is some variability in the amount of fuel consumed resulting from production-price tradeoffs, weather, and other exogenous variables the general reliance on gasoline promotes a consistent per capita contribution from this source.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Moderately, vertically inequitable. Fuel taxes tend to be regressive in nature.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Tax on Special Fuel

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively inflexible.

Evaluation Score (1-10): 3

Comments:

Nevada's Constitution specifically reserves the proceeds from fees for licensing and registration of motor vehicles and excise taxes on fuel for construction, maintenance and repair of public highways. (See Nev. Con. Art. IX Sec. 5). It should be noted that tax imposed upon motor vehicles by the legislature in lieu of an ad valorem property tax is specifically exempted from this reservation.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 4

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to taxes on special fuels.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of Nevada's gasoline tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

Different types of fuels are taxed at different rates. To that extent, the tax is not uniformly applied.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Petroleum Products Cleanup Fee

REVENUE: Petroleum Products Cleanup Fee
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Fuel Taxes

GENERAL INFORMATION

Description:	n/a	Status:	Existing source
Legal Reference:	NRS 590.840		
Rate and Application:	$0.0075 per gallon of motor vehicle fuel, diesel fuel	Distribution:	Petroleum cleanup fund
Exemptions:	None cited.	Collection Procedure:	n/a
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$544,169	Growth Rate (91-01):	n/a
Allocation Breakdown:	Petroleum Cleanup Fund $524,167	Forecast Determinates:	Employment
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively unproductive.

Evaluation Score (1-10): 3

Comments:

Sources generates more than the lowest producers (e.g., those generating less than $100,000 annually); however, at less than $1 million is remains among the less productive sources reviewed.

*****

Consideration: **Transparency**

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable. However, the fact that the petroleum clean up fund has a statutory cap, does add an extra layer of complexity in forecasting this revenue source.

*****

Consideration: **Stability**

Notes:

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Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. The tax burden is easily calculable; however, the inelasticity of demand for fuel suggests that external increases are largely borne by the consumer. Some consumers may be unaware of the tax. This fact not withstanding, these taxes are generally used to fund transportation related needs, they are tailored to a socially desirable end.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two consumers earning the same amount of money would be expected to pay relatively similar shares of their income in other gasoline taxes. Some individuals and corporations tend to travel more than others, to the extent that is a consequence of normal economic activity, some inequity may exist.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable. While there is some variability in the amount of fuel consumed resulting from production-price tradeoffs, weather, and other exogenous variables the general reliance on gasoline promotes a consistent per capita contribution from this source.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Moderately, vertically inequitable. Gasoline taxes tend to be regressive in nature. Dependence on the automobile today is greater than it has ever been. Moreover, the vast majority of Nevada's consumers live in remote or highly automobile dependent regions where public transportation is a limited alternative. The result is that lower income consumers tend to spend a higher share of their disposable income on the purchase of fuels than do higher income consumers.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to petroleum products cleaning fees.

*****

Consideration: **Economic Neutrality**

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Evaluation Summary: Relatively inflexible.

Evaluation Score (1-10): 3

Comments:

Nevada's Constitution specifically reserves the proceeds from fees for licensing and registration of motor vehicles and excise taxes on fuel for construction, maintenance and repair of public highways. (See Nev. Con. Art. IX Sec. 5). It should be noted that tax imposed upon motor vehicles by the legislature in lieu of an ad valorem property tax is specifically exempted from this reservation.

*****

Consideration: Exportability

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 4

Comments:

Generally, not exportable.

*****

Consideration: Integration

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of Nevada's petroleum products cleanup fee materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: Uniformity

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Fee is uniformly applied to all fuels. As such, it is relatively uniform.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Governmental Services Tax (formerly Motor Vehicle Privilege Tax)

REVENUE: Governmental Services Tax (formerly Motor Vehicle Privilege Tax)
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Ad Valorem Taxes

GENERAL INFORMATION

Description:	Tax based on the valuation of a vehicle, determined at 35 percent of the manufacturer's suggested retail price, without accessories. Vehicle value is depreciated to 85 percent after first year and graduated down to 5 percent after nine years. Buses, trucks and truck trailers depreciate down to 75 percent after first year and down to 13 percent after 10 years.	Status:	Existing source
Legal Reference:	NRS 371		
Rate and Application:	$0.04 basic rate on each dollar of the valuation of the vehicle; $0.01optional tax for transportation, or in some counties, to replace funds lost because of "fair-share" legislation. In Washoe County, the optional portion of the tax is phased out by 2005.	Distribution:	DMV - receives a 1 percent commission of all tax revenue collected by the Assessors, and 6 percent of all other government services taxes collected; School Districts receive a portion; Local Government Tax Distribution Fund - receives the remaining.
Exemptions:	Vehicles owned by the United States; the state and its political subdivisions; and vehicles used as part of regularly operated public transportation system. Partial exemptions for: surviving spouses; orphans; blind persons; veterans, if exemption is not taken on real property.	Collection Procedure:	Collected at the same time and with the motor vehicle registration fee.
Requirements to Change:	Increase in rate beyond $5.00s per $1of assessed value would require Constitution amendment.	Statutory Limitations:	Constitutional limit to rate: Article 10, Section 1, subsection 5 limits rate to 5 cents on one dollar of assessed valuation.

ECONOMICS

Total Revenue (2001):	$222,670,808	Growth Rate (91-01):	n/a
Allocation Breakdown:	Department of Motor Vehicles $12,588,691; Local Governments & Schools $173,725,590; Supplemental Special $36,356,527	Forecast Determinates:	Population & Employment
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a

Notes:

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Inflation Adjustment: Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 7

Comments:

Source generates more than $100 million but less than $250 million annually. Comparatively speaking, it is a relatively productive source of revenue for the state.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. The tax burden is easily calculable and taxes broad application is tailored toward the generally accepted approach of generating revenue from the ownership and operation of automobiles.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, equitable for individuals. Moderately equitable for corporations. Two individuals generating similar levels of personal income would be expected to pay the same amount of government services taxes. Differences in the amounts paid would mainly be attributable to personal preferences. We note that some industries are more highly dependent on the automobile than are others. Because this dependence is not directly related to these company's revenue generating ability, the tax may have a disparate impact on some firms.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable based on population and employment. This source, however, is a function of the number of cars owned as well as the value of those automobiles. The purchase of new automobiles can be cyclical.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable. While the purchase and retention of automobiles is subject to fluctuation with the economy, this source has remained fairly stable in per capita terms.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Moderately vertically inequitable. Taxes associated with automobile ownership, including registrations, tend to be regressive in nature. Dependence on the automobile today is greater than it has ever been. Moreover, the vast majority of Nevada's consumers live in remote or highly automobile dependent regions where public transportation is a limited alternative. The result is that lower income consumers tend to spend a higher share of their disposable income on the purchase of automobiles than do higher income consumers. As such, they tend to violate the principle of vertical equity.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Governmental Services Tax (formerly Motor Vehicle Privilege Tax)

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): No competition among jurisdictions within t

Comments:

Nevada's vehicle registration fees are among the highest in the country.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 2

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: No competition among jurisdictions within the state.

Evaluation Score (1-10): 10

Comments:

Generally, there are no intrastate competitive factors relating to government services taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

The cost to register one's car in Nevada is generally believed to be higher in Nevada than in other states. As such, people moving to Nevada tend to hold off registering their car until necessary and were possible some people with questionable domicile keep their cars registered in other states. While this impact is relatively mild, it is does reflect a distortion in normal practices that exists as a result of the specific levy.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform in application.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Estate Tax

REVENUE: Estate Tax
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Estate & Gift Taxes

GENERAL INFORMATION

Description:	The "pick-up" portion of the Federal Estate Tax. Under Federal law, a credit is allowed each state against the Federal Estate Tax, up to a certain amount for each estate.	Status:	Existing source
Legal Reference:	NRS 375A. Nev. Con. Art. 10 Sec. 1 (7) and Sec. 4		
Rate and Application:	0.8 percent on adjusted taxable estate amounts between $40,000 and $90,000; up to 16 percent on adjusted taxable estate amounts in excess of $10,040,000	Distribution:	Department of Taxation (administrative costs); UCCSN Endowment Fund; Fund for School Improvement
Exemptions:	None cited.	Collection Procedure:	A copy of the Federal Estate Tax return with a check for the amount which appears on the line "credit to state death tax" or Nevada's pro-rated portion on a non-resident decedent, is remitted to the Department of Taxation. If an extension of filing is sent to I.R.S., a copy must also be sent to the Nevada Department of Taxation with a check for estimated amount due.
Requirements to Change:	Removal of Constitutional prohibition would require Constitution amendment.	Statutory Limitations:	Constitutional prohibition. Article 10, Section 4 limits estate tax to the extent of any credit allowed by federal law for the payment of the state tax. The combination of any state tax and the federal tax cannot exceed the estate taxes imposed by the federal law alone. Further, Article 10, Section 1, subsection7 states "No inheritance tax shall ever be levied."

ECONOMICS

Total Revenue (2001):	$42,126,902	Growth Rate (91-01):	n/a
Allocation Breakdown:	Administrative Costs $127,005; UCCSN Endowment Fund $19,959,058; Fund for School Improvement $19,959,058; Reserve for Refunds $2,081,781	Forecast Determinates:	Population over the age of 65
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Inflation Adjustment: Percentage fee based on the market value of a transferred estate. Automatically reflects changes in inflation and other market forces.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Source generates more than $30 million but less than $100 million annually. It is considered moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 6

Comments:

Moderately transparent. While the burden of this tax to the estate of a decedent may be difficult to calculate for some taxpayers, particularly those who are unsure of the value of their estate, this tax was clearly designed to export some level of tax liability via federal obligations. As those obligations deteriorate, so will the socially desirability of the source.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two individuals receiving the same income from the distribution of a decedent's estate would be expected to have the same level of tax liability.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Estate taxes are generally considered easy to comply with; however, they may pose some unique challenges with regard to property valuation and income planning.

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable based on population, employment and local age demographics.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable. The value of estates and the natural attrition of the population makes this source generally stable. Moreover, our aging demographic and the accumulated wealth of the population suggests that an increasing trend is likely should this source remain.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally, vertically equitable. The fact that the tax is based on a percentage of the estate and graduates upward with the value of the estate makes a generally progressive revenue source.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Estate Tax

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is quite competitive with other jurisdic

Evaluation Score (1-10): No competition among jurisdictions within t

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively inflexible.

Evaluation Score (1-10): 2

Comments:

Estate taxes are earmarked for higher education and limited by the Nevada Constitution. As such, they are considered highly inflexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 2

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: No competition among jurisdictions within the state.

Evaluation Score (1-10): 10

Comments:

Generally, there are no intrastate competitive factors relating to estate taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

It is well-settled that the existence of an estate tax, or death tax, incentives individuals to take actions inter vivos or in planning the distribution of their estate which they may otherwise may not. This was one of the underlying reasons why the federal government legislatively phased out the estate/gift tax in the 2001 Tax Reform Act. As such, estate taxes generally violate the principle of economic neutrality.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 9

Comments:

Generally uniform in application.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Real Property Transfer Tax

REVENUE: Real Property Transfer Tax
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Tax levied on value of real property transferred from one person to another. Value is the actual consideration paid, when property is not a gift. A gift deed is taxable at market value.	Status:	Existing source
Legal Reference:	NRS 375.020		
Rate and Application:	$0.65 per $500 of unencumbered value;$ 0.1 per $500, optional in certain counties to replace "fair-share;" $0.001 per $500, optional in certain counties to support open space; an additional $0.60 per $500 in Clark County to support county school district.	Distribution:	Low Income Housing Trust $0.10; in Clark County, $0.60 to the school district Capital Projects Fund; Remanding $0.55 deposited in the local government tax distribution fund."
Exemptions:	Property of $100 or less. A transaction when real property is encumbered to secure a debt. A transfer to the United States, the state or political subdivision. Transfers recognizing true ownership. Transfers in bankruptcy. Conveyances making effective an order to the Securities and Exchange Commission under certain specific circumstances. Certain transfers if made without consideration.	Collection Procedure:	Collected by the County Recorder at the time the deed is recorded. Revenues transmitted quarterly to County Treasurer.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):		Growth Rate (91-01):	n/a
Allocation Breakdown:	n/a	Forecast Determinates:	Population & Employment
		Dependence on Growth:	High
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Inflation Adjustment: Percentage fee based on the market value of a transferred property. Automatically reflects changes in inflation and other market forces.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: n/a

Evaluation Score (1-10): 0

Comments:

Information is as of yet unavailable.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. Individual burdens of real property transfer tax are easily calculable. Additionally, this tax is partially tailored to meet a specific socially desirable end as a percentage of the tax is allocated toward low-income housing. The balance of the tax is intended to offset the "fair share" distributions. The latter objective is less considerably less transparent than the first.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Residentially, horizontally equitable. Non-residentially, moderately equitable. Two households earning similar incomes and purchasing the same amount of real property would be expected to pay the same amount of real property transfer tax. We note, however, that the relationship between corporate revenue real property acquisitions, while direct, is not necessarily one-to-one. As such, two firms with the same revenue may very well have vary different real property transfer tax obligations (c.f. a manufacturing firm and a finance company).

*****

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

The predictable growth pattern of the state, and particularly Southern Nevada, has made this a relatively predictable source of revenue. However, it is highly dependent on growth and development, which suggests that it may become more challenging to predict in the future.

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Evaluation Score (1-10): 4

Comments:

Moderately unstable. Source depends upon the acquisition and/or transfer of real property. These transfers are generally tied to growth and development. Without growth, the per capita totals would tend to erode.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Moderately, vertically equitable. While amount of property owned tends to increase with wealth, the share of ones income allocated to the payment of property taxes tends to decline with wealth. In other words, the increase is not necessarily proportionate. As a result, wealthier consumers contribute more property tax dollars, but poorer residents contribute a higher share of their income to property tax payments. With regard to businesses, greater profitability does not necessarily relate to greater property ownership, although in many instances that is the case. As such, a business with relatively less property but relative high profitability would pay a smaller share of its income in property tax payments than would a less profitable, but property intensive company.

*****

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Real Property Transfer Tax

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local

Evaluation Score (1-10): 4

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state.

Evaluation Score (1-10): 8

Comments:

Real property transfer taxes are not generally competitive among jurisdictions within the state due to consumers' inability to "shop rates." We note, however, that real property transfer taxes are part of formula-based consolidated tax distribution among Nevada's counties and cities (first and second tier distributions, respectively)). This distribution has been an area of inter-jurisdictional competitiveness in recent years.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of Nevada's real property transfer tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 9

Comments:

Generally uniform in application.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

Real Property Transfer Tax

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Tire Tax

REVENUE: Tire Tax
GENERAL ANALYSIS CATEGORY: Non-General Fund Sources
SUBCATEGORIZATION: Excise Taxes

GENERAL INFORMATION

Description:	Tax collected from the purchaser at the time of the sale. Tire tax is in addition to sales tax.	Status:	Existing source
Legal Reference:	NRS 444A.090		
Rate and Application:	$1 per new tire sold.	Distribution:	Conservation & Natural Resources 44.5 percent; Dept. of Health - Clark County 30.0 percent; Dept. of Health - Washoe County 20.0 percent; Dept. of Taxation 0.5 percent
Exemptions:	None cited.	Collection Procedure:	95 percent of tax remitted monthly; 5 percent retained as collection fee, by seller.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$1,336,799	Growth Rate (91-01):	n/a
Allocation Breakdown:	Conservation & Natural Resources $594,876; Clark County Department of Health $401,040; Washoe County Department of Health $267,360; Nevada Department of Taxation $66,840	Forecast Determinates:	Population, Taxable Gasoline Gallons, and Consumer Price Index for Gasoline
		Dependence on Growth:	Low
Generating Ability:	$1,336,799	Elasticity Calculations:	
Per:	per $1 increase in the tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Moderately unproductive.	Evaluation Summary:	Relatively predictable.
Evaluation Score (1-10):	4	Evaluation Score (1-10):	8

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Tire Tax

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. The tax burdens of individuals are easily taxable and the connection between automobile use and the environment is clear.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, equitable for individuals. Moderately equitable for corporations. Two individuals generating similar levels of personal income would be expected to pay the same amount of tire tax. Differences in the amounts paid would mainly be attributable to personal preferences. We note that some industries are more highly dependent on the automobile than are others. Because this dependence is not directly related to these company's revenue generating ability, the tax may have a disparate impact on some firms.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Relatively predictable based on population and employment growth and automobile ownership estimates.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Moderately stable. Tire taxes do not adjust for inflation; and as such, they will tend to erode with time. However, the number of transactions giving rise to the tax are likely to remain relatively constant. desirable end as a percentage of the tax is allocated toward low-income housing

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Moderately vertically inequitable. Taxes associated with automobile ownership, including maintenance and upkeep spending, tend to be regressive in nature. Dependence on the automobile today is greater than it has ever been. Moreover, the vast majority of Nevada's consumers live in remote or highly automobile dependent regions where public transportation is a limited alternative. The result is that lower income consumers tend to spend a higher share of their disposable income on the purchase of automobiles than do higher income consumers. As such, these taxes tend to violate the principle of vertical equity.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

Tire Tax

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Moderately inflexible.

Evaluation Score (1-10): 4

Comments:

Tax is earmarked exclusively for natural resources and health district funding. As such, it is relatively inflexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 2

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 9

Comments:

There is no indication that the existence or application of Nevada's tire tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively non-uniform.

Evaluation Score (1-10): 3

Comments:

Generally uniform in application.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Commercial Filings (Incorporation fees, also includes revenues for business trusts)

REVENUE: Commercial Filings (Incorporation fees, also includes revenues for business trusts)
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Incorporation fees: Imposed on persons forming corporations or making agreements of consolidation providing for shares. Graduated fees based on total number of shares provided for in articles of incorporation or agreement of consolidation. Fees are the same for Nevada and Foreign Corporations. Applicants file with Secretary of State. Business trusts: Imposed on applicants forming a business trust.	Status:	Existing source
Legal Reference:	Incorporation Fees: NRS 78, 78A, 80 and 81; Business trusts: NRS 88A.900		
Rate and Application:	Incorporation Fees: $75,000 or less ($175); $75,001 - $200,000 ($225); $201,000 - $500,000 ($325); $501,000 - $1,000,000 ($425); over $1,000,000 ($425); for each additional $500,000 ($225). Maximum of $25,000. Business Trusts: Filing certificate of business trust ($175); Filing certificate of Amendment or restated certificate ($150); Filing a reinstated certificate ($200); Filing of initial list of trustee ($165); Filing the annual list of trustees and designation of agent for services of process ($85); Filing a certificate of change of address of resident agent or records office, or to designate a new resident agent ($30); Certifying an authorized pointed copy of the business trust law ($20); reserving a business trust name ($20); Certification of cancellation ($60).	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	Fee is payable at the time of filing.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Commercial Filings (Incorporation fees, also includes revenues for business trusts)

Total Revenue (2001): $21,753,797

Allocation Breakdown: State General Fund $21,753,797

Generating Ability: n/a

Per: n/a

Inflation Adjustment: Unitary fee. Not designed to adjust with inflation.

Growth Rate (91-01): 11.1%

Forecast Determinates: Gross State Product; Employment

Dependence on Growth: Moderate

Elasticity Calculations:

Base: Gross State Product n/a

Base: Income n/a

QUALITATIVE CONSIDERATIONS

Consideration: Revenue Generation

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 5

Comments:

Source generates more than $10 million but less than $30 million annually. It is considered moderately productive when compared the balance of sources reviewed.

*****

Consideration: Transparency

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on corporations is clear, as is the goal of the fee.

*****

Consideration: Horizontal Equity

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Two corporation earning the same amount of money would pay relatively similar incorporation fees. We note however that this is only true to the extent that corporation of equal sizes earn equal revenues. To the extent that they do not, two corporations would bear dissimilar burdens.

*****

Consideration: Ease of Compliance

Consideration: Predictability

Evaluation Summary: Moderately unpredictable.

Evaluation Score (1-10): 4

Comments:

Predictability depends on the number of corporations choosing to incorporate in the state of Nevada. This can change significantly from year to year.

*****

Consideration: Stability

Evaluation Summary: Moderately unstable.

Evaluation Score (1-10): 4

Comments:

Moderately unstable. The number of firms relocated or expanding into Nevada is highly dependent on the overall performance of the economy.

*****

Consideration: Vertical Equity

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 6

Comments:

Corporation fees are mildly tiered, as such there is some level of vertical equity. This tiering, however, is minimal and is capped at $25,000, which cuts against vertical equity, particularly of the largest firms.

*****

Consideration: Ease of Administration

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities. That having been said, a number of firms seem to be confused regarding the need to file annual renewals.

*****

Consideration: Interstate Competitiveness

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's corporate filing fees are among the lowest in the nation. These low rates are used as an incentive to attract non-resident businesses and industries to file in the state.

*****

Consideration: Flexibility

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Fee has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: Exportability

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 6

Comments:

A number of businesses are incentivized to incorporate in the State of Nevada by our relatively low incorporation and filing rates. As such, a significant share of the fees paid are done so by companies that are residents of other states.

*****

Consideration: Integration

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: Intrastate Competitiveness

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

*****

Consideration: Economic Neutrality

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 9

Comments:

We note that many businesses are incentivized make Nevada their legal residence due to the state's low rates. While this is certainly an impact on economic decision making, it is a positive attribute of the fee.

*****

Consideration: Uniformity

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Commercial filing fees are all generally uniform in their rates and application.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)

Commercial Filings (Incorporation fees, also includes revenues for business trusts)

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Commercial Filings (Limited liability companies)

REVENUE: Commercial Filings (Limited liability companies)
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Fees based on services provided to business when filing with the Secretary of State.	Status:	Existing source
Legal Reference:	NRS 86.151		
Rate and Application:	Filing articles of incorporation ($175); Filing Certificate of Amendment or restated certificate ($150); Filing an initial list of members/managers ($165); Filing annual list of members/managers and designation of agent for service ($30); Certifying a certificate, an amendment to a certificate with a copy ($20); Reserving a limited liability name ($20); Certificate of cancellation ($60).	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	Fee is payable at the time of filing.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$796,170	Growth Rate (91-01):	11.1%
Allocation Breakdown:	State General Fund $796,170	Forecast Determinates:	Gross State Product; Employment
		Dependence on Growth:	Moderate
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary fee. Not designed to adjust with inflation.		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**
Evaluation Summary:	Relatively unproductive.	Evaluation Summary:	Moderately predictable.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Evaluation Score (1-10): 3

Comments:

Sources generates more than the lowest producers (e.g., those generating less than $100,000 annually); however, at less than $1 million is remains among the less productive sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on entity is clear, as is the purpose of the fee.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 9

Comments:

Two entities generating the same level of revenue would tend to pay the same fees, both at inception and annually.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities. That having been said, a number of firms seem to be confused regarding the need to file annual renewals.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's commercial filing fees are among the lowest in the nation. These low rates are used as an incentive to attract non-resident businesses and industries to file in the state.

Evaluation Score (1-10): 6

Comments:

Trends in the number of businesses forming under the laws of Nevada and national economic growth have been moderately predictable. Changes in the economic cycle will make these considerably more difficult.

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Evaluation Score (1-10): 5

Comments:

Fees are a mixture of one time and recurring fees. Changes in the economic cycle will likely have measurable impacts on their revenue generating ability.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 4

Comments:

If one entity where to generate $10,000 in sales and second were to generate $1,000,000 in sales, the first would pay a substantially higher percentage of its revenue in fees (as compared to the second).

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Commercial Filings (Limited liability companies)

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Fee has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 6

Comments:

A number of businesses are incentivized to form in the State of Nevada due to our relatively low incorporation and filing rates. As such, a significant share of the fees paid are done so by companies that are residents of other states.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 9

Comments:

We note that many businesses are incentivized make Nevada their legal residence due to the state's low rates. While this is certainly an impact on economic decision making, it is a positive attribute of the fee.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Commercial filing fees are all generally uniform in their rates and application.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Commercial Filings (Limited partnerships)

REVENUE: Commercial Filings (Limited partnerships)
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Fees based on services provided to business when filing with the Secretary of State.	Status:	Existing source
Legal Reference:	NRS 88.415 and 88.516		
Rate and Application:	Filing certificate of limited partnership ($175); Filing certificate of amendment or restated partnership ($150); Filing of initial list of general partners ($165); Filing the annual list of general partners and designation of an agent for service of process ($85); Filing a certificate of the change of address of resident agent or records office, or to designate a new resident agent ($30); Certifying a certificate ($20); Certifying an authorized printed copy of the limited partnership law ($20); Reserving a limited partnership name ($20); Executing, filing or certifying any other document ($40); Certificate of cancellation ($60)	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	Fee is payable at the time of filing.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$355,646	Growth Rate (91-01):	11.1%
Allocation Breakdown:	State General Fund $355,646	Forecast Determinates:	Gross State Product; Employment
		Dependence on Growth:	Moderate
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary fee. Not designed to adjust with inflation.		

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively unproductive.

Evaluation Score (1-10): 3

Comments:

Sources generates more than the lowest producers (e.g., those generating less than $100,000 annually); however, at less than $1 million is remains among the less productive sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on entity is clear, as is the purpose of the fee.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 9

Comments:

Two entities generating the same level of revenue would tend to pay the same fees, both at inception and annually.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities. That having been said, a number of firms seem to be confused regarding the need to file annual renewals.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in o

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Trends in the number of businesses forming under the laws of Nevada and national economic growth have been moderately predictable. Changes in the economic cycle will make these considerably more difficult.

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Evaluation Score (1-10): 5

Comments:

Fees are a mixture of one time and recurring fees. Changes in the economic cycle will likely have measurable impacts on their revenue generating ability.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 4

Comments:

If one entity where to generate $10,000 in sales and second were to generate $1,000,000 in sales, the first would pay a substantially higher percentage of its revenue in fees (as compared to the second).

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's commercial filing fees are among the lowest in the nation. These low rates are used as an incentive to attract non-resident businesses and industries to file in the state.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Fee has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 6

Comments:

A number of businesses are incentivized to form in the State of Nevada due to our relatively low incorporation and filing rates. As such, a significant share of the fees paid are done so by companies that are residents of other states.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 9

Comments:

We note that many businesses are incentivized make Nevada their legal residence due to the state's low rates. While this is certainly an impact on economic decision making, it is a positive attribute of the fee.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Commercial filing fees are all generally uniform in their rates and application.

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Commercial Filings (Limited liability partnerships)

REVENUE: Commercial Filings (Limited liability partnerships)
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Fees based on services provided to business when filing with the Secretary of State.	Status:	Existing source
Legal Reference:	NRS 87.440 and 87.560		
Rate and Application:	Filing Registration of Limited Liability Partnership ($175); Filing certificate of amendment to Limited Liability Partnership or restated certificate of registration ($150). Filing a reinstated certificate of registration ($200); Filing the initial list of managing partners ($165); Filing the annual list of managing partners anddesignation of an agent for service of process ($85); Filing a certificate of the change of address of resident agent or records office, or to designate a new resident agent ($30); Certifying a certificate, an amendment to the certificate, or a certificate as amended where a copy of provided ($20); Certifying an authorized printed copy of the Limited Liability Partnership law ($20); Reserving a limited-liability partnership name ($20); Executing, filing or certifying any other document ($40); Copies made at office of Secretary of State $1.pg; Certificate of cancellation ($60).	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	Fee is payable at the time of filing.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$8,210	Growth Rate (91-01):	11.1%
Allocation Breakdown:	State General Fund $8,210	Forecast Determinates:	Gross State Product; Employment
		Dependence on Growth:	Moderate

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a

Inflation Adjustment: Unitary fee. Not designed to adjust with inflation.

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively unproductive.

Evaluation Score (1-10): 2

Comments:

Source generates less than $100,000 annually. As such, it is among the least productive revenue sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on entity is clear, as is the purpose of the fee.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 9

Comments:

Two entities generating the same level of revenue would tend to pay the same fees, both at inception and annually.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Trends in the number of businesses forming under the laws of Nevada and national economic growth have been moderately predictable. Changes in the economic cycle will make these considerably more difficult.

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Evaluation Score (1-10): 5

Comments:

Fees are a mixture of one time and recurring fees. Changes in the economic cycle will likely have measurable impacts on their revenue generating ability.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 4

Comments:

If one entity where to generate $10,000 in sales and second were to generate $1,000,000 in sales, the first would pay a substantially higher percentage of its revenue in fees (as compared to the second).

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities. That having been said, a number of firms seem to be confused regarding the need to file annual renewals.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's commercial filing fees are among the lowest in the nation. These low rates are used as an incentive to attract non-resident businesses and industries to file in the state.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Fee has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-l

Evaluation Score (1-10): 6

Comments:

A number of businesses are incentivized to form in the State of Nevada due to our relatively low incorporation and filing rates. As such, a significant share of the fees paid are done so by companies that are residents of other states.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

Integration deals with how well a new source of revenue will support, supplement or complement an existing tax system. Because this is an existing tax, integration is not a relevant consideration.

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 9

Comments:

We note that many businesses are incentivized make Nevada their legal residence due to the state's low rates. While this is certainly an impact on economic decision making, it is a positive attribute of the fee.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Commercial filing fees are all generally uniform in their rates and application.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Securities

REVENUE: Securities
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Fees imposed on securities transactions.	Status:	Existing source
Legal Reference:	n/a		
Rate and Application:	n/a	Distribution:	State General Fund
Exemptions:	n/a	Collection Procedure:	n/a
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$9,613,025	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $9,613,025	Forecast Determinates:	n/a
		Dependence on Growth:	n/a
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	n/a		

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Trends in the number of businesses forming under the laws of Nevada and national economic growth have been moderately predictable. Changes in the economic cycle will make these considerably more difficult.

*****

Consideration: **Stability**

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on entity is clear, as is the purpose of the fee.

*****

Consideration: Horizontal Equity

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Information was not generally available. However, securities fees are considered generally horizontally equitable within the related industries.

*****

Consideration: Ease of Compliance

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: Interstate Competitiveness

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's commercial filing fees are among the lowest in the nation. These low rates are used as an incentive to attract non-resident businesses and industries to file in the state.

*****

Consideration: Flexibility

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 8

Comments:

Fee has few limitations on its use. As such, it is considered relatively flexible.

Evaluation Summary: Moderately unstable.

Evaluation Score (1-10): 5

Comments:

Fees are a mixture of one time and recurring fees. Changes in the economic cycle will likely have measurable impacts on their revenue generating ability.

*****

Consideration: Vertical Equity

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Unit based fees are generally considered vertically inequitable.

*****

Consideration: Ease of Administration

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: Intrastate Competitiveness

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

*****

Consideration: Economic Neutrality

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

All fees impact the businesses upon whom they are imposed. That having been said, no information was provided that would suggest that a business's decisions were altered as a result of the fees imposition.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Securities

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 2

Comments:
Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:
[To be completed when additional information becomes available]

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:
Fees are generally uniform within the industry.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Financial Institution Fees

REVENUE: Financial Institution Fees
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Fees imposed on financial institutions.	Status:	Existing source
Legal Reference:	n/a		
Rate and Application:	n/a	Distribution:	State General Fund
Exemptions:	n/a	Collection Procedure:	n/a
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$1,626,149	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund 1,626,149	Forecast Determinates:	n/a
		Dependence on Growth:	n/a
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	n/a		

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Trends in the number of businesses forming under the laws of Nevada and national economic growth have been moderately predictable. Changes in the economic cycle will make these considerably more difficult.

*****

Consideration: **Stability**

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on entity is clear, as is the purpose of the fee.

*****

Consideration: Horizontal Equity

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Information was not generally available. However, financial institution fees are considered generally horizontally equitable within the related industries.

*****

Consideration: Ease of Compliance

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: Interstate Competitiveness

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's commercial filing fees are among the lowest in the nation. These low rates are used as an incentive to attract non-resident businesses and industries to file in the state.

*****

Consideration: Flexibility

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 8

Comments:

Fee has few limitations on its use. As such, it is considered relatively flexible.

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

Moderately stable due to the periodic nature of the levy.

*****

Consideration: Vertical Equity

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Unit based fees are generally considered vertically inequitable.

*****

Consideration: Ease of Administration

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: Intrastate Competitiveness

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

*****

Consideration: Economic Neutrality

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

All fees impact the businesses upon whom they are imposed. That having been said, no information was provided that would suggest that a business's decisions were altered as a result of the fees imposition.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Financial Institution Fees

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 2

Comments:
Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:
[To be completed when additional information becomes available]

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:
Fees are generally uniform within the industry.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Athletic Commission Fees

REVENUE: Athletic Commission Fees
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Licensing of contests and exhibitions of unarmed combat. Includes licensing of referees, contestants, corner persons, ring announcer, doctor, promoter, etc. Receive 4 percent of gross sales of tickets for live and closed circuit broadcasts. And 3 percent of first $1 million and 1 percent of next $2 million of gross proceeds (maximum $50,000). Additional assessment of $1 per ticket or $0.50 if gross sales less than $500,000 for boxing and wrestling exhibitions.	Status:	Existing source
Legal Reference:	NRS 467.105; NRS 467.107; NRS 467.108		
Rate and Application:	n/a	Distribution:	State General Fund
Exemptions:	n/a	Collection Procedure:	n/a
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$2,853,655	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $2,853,655	Forecast Determinates:	n/a
		Dependence on Growth:	n/a
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	n/a		

QUALITATIVE CONSIDERATIONS

Consideration:	**Revenue Generation**	**Consideration:**	**Predictability**

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Athletic Commission Fees

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: Transparency

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on entity is clear, as is the purpose of the fee.

*****

Consideration: Horizontal Equity

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

This fee is based on consumer choices. Two equal consumers one who chooses to spend her entertainment dollar on a boxing or wrestling event and the other who spends their dollar elsewhere may bear differing burdens.

*****

Consideration: Ease of Compliance

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: Interstate Competitiveness

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Competitive information was not generally available. However, Nevada's athletic commission fees are generally reported to be competitive with other jurisdictions.

*****

Evaluation Summary: Moderately unpredictable.

Evaluation Score (1-10): 4

Comments:

Because the number of events changes from year to year, athletic commission fees can be difficult to predict.

*****

Consideration: Stability

Evaluation Summary: Relatively unstable.

Evaluation Score (1-10): 3

Comments:

Because the number of event can fluctuate considerably from year to year, athletic commission fees are relatively unstable.

*****

Consideration: Vertical Equity

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Comments:

The marginal propensity to participate in entertainment event increases with wealth. As such, wealthier consumers would likely bear a larger share of the overall tax burden.

*****

Consideration: Ease of Administration

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: Intrastate Competitiveness

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

*****

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Athletic Commission Fees

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 8

Comments:

Fee has few limitations on its use. As such, it is considered relatively flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 2

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:

[To be completed when additional information becomes available]

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

All fees impact the businesses and/or individuals upon whom they are imposed. That having been said, no information was provided that would suggest that a consumers decisions were altered as a result of the imposition of athletic commission fees.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately non-uniform.

Evaluation Score (1-10): 5

Comments:

Fees are uniform within the industries, but they apply to only a specific area of entertainment.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Civil Action Fees

REVENUE: Civil Action Fees
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	n/a	Status:	Existing source
Legal Reference:	n/a		
Rate and Application:	n/a	Distribution:	State General Fund
Exemptions:	n/a	Collection Procedure:	n/a
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$1,215,362	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $1,215,362	Forecast Determinates:	n/a
		Dependence on Growth:	n/a
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	n/a		

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Moderately predictable based on statewide population and population growth rates

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Notes:

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Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Civil Action Fees

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on entity is clear, as is the purpose of the fee.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Information was not generally available. However, civil action fees are considered generally horizontally equitable within the related industries.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is r

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's commercial filing fees are among the lowest in the nation. These low rates are used as an incentive to attract non-resident businesses and industries to file in the state.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 8

Comments:

Fee has few limitations on its use. As such, it is considered relatively flexible.

Evaluation Score (1-10): 4

Comments:

[To be completed when additional information becomes available]

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Unit based fees are generally considered vertically inequitable.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

All fees impact the businesses upon whom they are imposed. That having been said, no information was provided that would suggest that a business's decisions were altered as a result of the fees imposition.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Civil Action Fees

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 2

Comments:
Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:
[To be completed when additional information becomes available]

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:
Fees are generally uniform within the industry.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
State Engineer Sales

REVENUE: State Engineer Sales
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	n/a	Status:	Existing source
Legal Reference:	NRS 533.435		
Rate and Application:	n/a	Distribution:	State General Fund
Exemptions:	n/a	Collection Procedure:	n/a
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$1,588,378	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $1,588,378	Forecast Determinates:	n/a
		Dependence on Growth:	n/a
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	n/a		

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Moderately predictable based on statewide population and population growth rates

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on entity is clear, as is the purpose of the fee.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Information was not generally available. However, state engineering fees are considered generally horizontally equitable within the related industries.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's commercial filing fees are among the lowest in the nation. These low rates are used as an incentive to attract non-resident businesses and industries to file in the state.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 8

Comments:

Fee has few limitations on its use. As such, it is considered relatively flexible.

Evaluation Score (1-10): 5

Comments:

[To be completed when additional information becomes available]

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Unit based fees are generally considered vertically inequitable.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

All fees impact the businesses upon whom they are imposed. That having been said, no information was provided that would suggest that a business's decisions were altered as a result of the fees imposition.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
State Engineer Sales

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 2

Comments:
Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:
[To be completed when additional information becomes available]

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:
Fees are generally uniform within the industry.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Court Administration Assessments

REVENUE: Court Administration Assessments
GENERAL ANALYSIS CATEGORY: General Fund Source
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	n/a	Status:	Existing source
Legal Reference:	n/a		
Rate and Application:	n/a	Distribution:	State General Fund
Exemptions:	n/a	Collection Procedure:	n/a
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$2,808,754	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $2,808,754	Forecast Determinates:	n/a
		Dependence on Growth:	n/a
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	n/a		

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Source generates more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Moderately predictable based on statewide population and population growth rates

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on entity is clear, as is the purpose of the fee.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Information was not generally available. However, court administration assessments are considered generally horizontally equitable within the related industries.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in o

Evaluation Score (1-10): Some indirect competition among jurisdictio

Comments:

Nevada's commercial filing fees are among the lowest in the nation. These low rates are used as an incentive to attract non-resident businesses and industries to file in the state.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 8

Comments:

Fee has few limitations on its use. As such, it is considered relatively flexible.

Evaluation Score (1-10): 4

Comments:

[To be completed when additional information becomes available]

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Unit based fees are generally considered vertically inequitable.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to tire taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

All fees impact the businesses upon whom they are imposed. That having been said, no information was provided that would suggest that a business's decisions were altered as a result of the fees imposition.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6B: Review of Existing Revenue Sources
General Information, Economic Elements, and Qualitative Considerations (1)
Court Administration Assessments

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by

Evaluation Score (1-10): 2

Comments:
Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Existing source. Integration is a non-issue.

Evaluation Score (1-10): 0

Comments:
[To be completed when additional information becomes available]

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:
Fees are generally uniform.

Notes:

(1) This document was used as a collection and analysis tool by the task force. As such, some of the data included herein may be incomplete or inconsistent with other portions of the report.

Appendix 6C:
Detailed Review of
Proposed Revenue Sources

Governor's Task Force on Tax Policy in Nevada

November 15, 2002

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Gross Receipts Tax of One Percent on All Businesses

REVENUE: Gross Receipts Tax of One Percent on All Businesses
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Business Taxes

GENERAL INFORMATION

Description:	Gross receipts (gross incomes, gross sales or value of products) of all businesses operating in Nevada.	Status:	Proposed Sources - Addition
Legal Reference:	None. Source does not currently exists.		
Rate and Application:	1 percent on all sales, shipments and receipts	Distribution:	State General Fund
Exemptions:	None.	Collection Procedure:	None. Source does not currently exists.
Requirements to Change:	None. Source does not currently exists.	Statutory Limitations:	None. Source does not currently exists.

ECONOMICS

Total Revenue (2001):	$1,188,863,390	Growth Rate (91-01):	n/s
Allocation Breakdown:	State General Fund $1,188,863,390	Forecast Determinates:	Sales activity; Wage and Salary Employment
		Dependence on Growth:	Moderate
Generating Ability:	$297,215,846	Elasticity Calculations:	
Per:	per 0.25 percent increase in the tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on the market value of a transferred property. Automatically reflects changes in inflation and other market forces.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Gross Receipts Tax of One Percent on All Businesses

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Highly productive.

Evaluation Score (1-10): 10

Comments:

Gross receipts tax would be among the highest revenue generating sources in the state.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately non-transparent.

Evaluation Score (1-10): 5

Comments:

Relatively non-transparent. Gross receipts taxes are generally included in the price of the product; and thus, hidden to the consumer. That having been said, to the extent that the tax is borne directly by the supplier, the tax would be highly transparent.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively inequitable (horizontally).

Evaluation Score (1-10): 3

Comments:

Two businesses earning $100,000 could bear considerably different tax burdens depending on their cost of goods sold and/or their relative operating costs.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

A gross receipts tax would be relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is substantially higher or lower than in

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Business activity trends are generally consistent from period to period. As such, it is likely to be highly predictable.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 8

Comments:

Similar to sales tax, gross receipts will fluctuate with the spending patterns of consumers. However, the broad base of the tax, which would include necessities, would tend to make it among the most stable source imaginable.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

A gross receipts tax favors low-volume, high-profit business activities. A corporation with high sales volume but lower profit margins would pay a considerably higher share of its income than would a low-revenue, high-margin industry. The second firm in the example could generate a higher return and have a lower tax burden.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 7

Comments:

The state's tax administration problems not withstanding, gross receipts taxes are among the simplest to administer and enforce. They require few calculations, particularly those associated with calculating net versus gross returns. We note, however, that the number of accounts created by the application of this levy would materially increase the Department of Taxation's caseload.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

---

other jurisdictions.

Evaluation Score (1-10): 3

Comments:

A number of state's impose a "gross receipts tax." These include, but are not necessarily limited to, Washington State, Delaware, Hawaii and New Mexico. The application of these taxes differ. Some are consumer oriented and some are business oriented. Washington's levy is the closest to this proposal. A tax of 1 percent would be higher than that imposed in Washington. We note that Washington use the gross receipt tax in lieu of other taxes on businesses. Washington notes that the tax tends to disparately impact small and start up businesses as well as high-volume, low margin industries. The same could be expected in Nevada.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 3

Comments:

Generally, gross receipts taxes are not exportable. That having been said, to the extent that a company's profit is removed from Nevada once distributed, as in the case of publicly held companies, the tax is theoretically exported. This argument, while particularly pertinent to broad business taxes, could be made of any tax paid by a company largely held by non-Nevadans.

*****

Consideration: **Integration**

Evaluation Summary: Moderately easy to integrate.

Evaluation Score (1-10): 6

jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

As currently proposed no intrastate competitive issues are noted.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Substantial impacts on economic decision making.

Evaluation Score (1-10): 3

Comments:

A gross receipts tax imposes a heavy burden on small businesses and those with high volumes and low margins. New businesses, that may not have reached their maximum level of operating efficiency, or may have yet to fully develop their markets, and are operating at a losses may also be impacted. As a result, established, profitable firm are favored at the expense of new, start-up businesses. Economic investment, diversification, and entrepreneurial efforts are disincentivized. We note, however, that gross receipts taxes are present in a number a jurisdictions, and we could find no evidence of businesses that failed to exist in areas as the result of the gross receipts levies.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 9

Comments:

A broad base business tax would be among the most uniform available. Under the current assumption set, all sectors would be paying similar amounts.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Gross Receipts Tax of One Percent on All Businesses

Comments:

A gross receipts tax would be relatively easy to integrate due to its similarity to the retail sales and use tax; however, some issues with double taxation will likely be present and there will be a learning curve for local businesses. In addition, the number of accounts that would be created is also concerning. The Department of Taxation's existing information technology infrastructure would not likely be able to support such a levy.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

EXHIBIT 6C: REVIEW OF PROPOSED REVENUE SOURCES
GENERAL INFORMATION, ECONOMIC ELEMENTS, AND QAULITATIVE CONSIDERATIONS (1)

GROSS RECEIPTS TAX OF ONE PERCENT ON ALL BUSINESSES NOT CURRENTLY SUBJECT TO AN INDUSTRY SPECIFIC BUSINESS TAX

REVENUE: Gross Receipts Tax of One Percent on All Businesses not Currently Subject to an Industry Specific Business Tax

GENERAL ANALYSIS CATEGORY: Sources Cited for Review

SUBCATEGORIZATION: Business Taxes

GENERAL INFORMATION

Description:	Gross receipts (gross incomes, gross sales or value of products) of all businesses operating in Nevada, which are not currently subject to an industry specific business tax (e.g., excluding mining, insurance carries, and gross gaming win).	Status:	Proposed Sources - Addition
Legal Reference:	None. Source does not currently exists.		
Rate and Application:	1 percent on all sales, shipments and receipts	Distribution:	State General Fund
Exemptions:	None.	Collection Procedure:	None. Source does not currently exists.
Requirements to Change:	None. Source does not currently exists.	Statutory Limitations:	None. Source does not currently exists.

ECONOMICS

Total Revenue (2001):	$959,858,869	Growth Rate (91-01):	n/s
Allocation Breakdown:	State General Fund $959,858,869	Forecast Determinates:	Sales activity; Wage and Salary Employment
		Dependence on Growth:	Moderate
Generating Ability:	$239,964,717	Elasticity Calculations:	
Per:	per 0.25 percent increase in the tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on the market value of a transferred property. Automatically reflects changes in inflation and other market forces.		

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Gross Receipts Tax of One Percent on All Businesses not Currently Subject to an Industry Specific Business Tax

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Highly productive.

Evaluation Score (1-10): 10

Comments:

Gross receipts tax would be among the highest revenue generating sources in the state.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately non-transparent.

Evaluation Score (1-10): 5

Comments:

Relatively non-transparent. Gross receipts taxes are generally included in the price of the product; and thus, hidden to the consumer. That having been said, to the extent that the tax is borne directly by the supplier, the tax would be highly transparent.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively inequitable (horizontally).

Evaluation Score (1-10): 3

Comments:

Two businesses earning $100,000 could bear considerably different tax burdens depending on their cost of goods sold and/or their relative operating costs.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

A gross receipts tax would be relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is substantially higher or lower than in

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 9

Comments:

Business activity trends are generally consistent from period to period. As such, it is likely to be highly predictable.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 8

Comments:

Similar to sales tax, gross receipts will fluctuate with the spending patterns of consumers. However, the broad base of the tax, which would include necessities, would tend to make it among the most stable source imaginable.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

A gross receipts tax favors low-volume, high-profit business activities. A corporation with high sales volume but lower profit margins would pay a considerably higher share of its income than would a low-revenue, high-margin industry. The second firm in the example could generate a higher return and have a lower tax burden.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 7

Comments:

The state's tax administration problems not withstanding, gross receipts taxes are among the simplest to administer and enforce. They require few calculations, particularly those associated with calculating net versus gross returns. We note, however, that the number of accounts created by the application of this levy would materially increase the Department of Taxation's caseload.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

other jurisdictions.

Evaluation Score (1-10): 2

Comments:

A number of state's impose a "gross receipts tax." These include, but are not necessarily limited to, Washington State, Delaware, Hawaii and New Mexico. The application of these taxes differ. Some are consumer oriented and some are business oriented. Washington's levy is the closest to this proposal. A tax of 1 percent would be higher than that imposed in Washington. We note that Washington use the gross receipt tax in lieu of other taxes on businesses. Washington notes that the tax tends to disparately impact small and start up businesses as well as high-volume, low margin industries. The same could be expected in Nevada.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 3

Comments:

Generally, gross receipts taxes are not exportable. That having been said, to the extent that a company's profit is removed from Nevada once distributed, as in the case of publicly held companies, the tax is theoretically exported. This argument, while particularly pertinent to broad business taxes, could be made of any tax paid by a company largely held by non-Nevadans.

*****

Consideration: **Integration**

Evaluation Summary: Moderately easy to integrate.

Evaluation Score (1-10): 6

jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

As currently proposed no intrastate competitive issues are noted.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Substantial impacts on economic decision making.

Evaluation Score (1-10): 3

Comments:

A gross receipts tax imposes a heavy burden on small businesses and those with high volumes and low margins. New businesses, that may not have reached their maximum level of operating efficiency, or may have yet to fully develop their markets, and are operating at a losses may also be impacted. As a result, established, profitable firm are favored at the expense of new, start-up businesses. Economic investment, diversification, and entrepreneurial efforts are disincentivized. We note, however, that gross receipts taxes are present in a number a jurisdictions, and we could find no evidence of businesses that failed to exist in areas as the result of the gross receipts levies.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

A broad base business tax would be among the most uniform available. Under the current assumption set, all sectors would be paying similar amounts. This would be slightly less uniform than the same tax applied to all businesses.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Gross Receipts Tax of One Percent on All Businesses not Currently Subject to an Industry Specific Business Tax

---

Comments:

A gross receipts tax would be relatively easy to integrate due to its similarity to the retail sales and use tax; however, some issues with double taxation will likely be present and there will be a learning curve for local businesses. In addition, the number of accounts that would be created is also concerning. The Department of Taxation's existing information technology infrastructure would not likely be able to support such a levy.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Gross Receipts Tax of 0.25 Percent on All Businesses With a Standard Deduction of Approximately $300,000 and a One-for-One Credit For Paid Business License Tax

---

REVENUE:	Gross Receipts Tax of 0.25 Percent on All Businesses With a Standard Deduction of Approximately $300,000 and a One-for-One Credit For Paid Business License Tax
GENERAL ANALYSIS CATEGORY:	Sources Cited for Review
SUBCATEGORIZATION:	Business Taxes

GENERAL INFORMATION

Description:	Gross receipts (gross incomes, gross sales or value of products) of all businesses operating in Nevada.	Status:	Proposed Sources - Addition
Legal Reference:	None. Source does not currently exists.		
Rate and Application:	0.25 percent on all sales, shipments and receipts	Distribution:	State General Fund
Exemptions:	None. A standard deduction of $300,000 per year. Additional deductions are allowed for income represented by federal, state and local motor vehicle fuel taxes; government bond interest; income which the state may constitutionally not tax; cash discounts taken by purchasers; pass-through revenue; bad debts; receipt of counterfeit bills; investment and dividends of income of non-financial businesses and dividends of subsidiary firms; health life insurance claims paid by insurance companies; income from governmental sources received by public or private hospitals; operating income of public electric, gas, sewer or water utilities; fund raising activities/dues of non-profit organizations.	Collection Procedure:	None. Source does not currently exists.
Requirements to Change:	None. Source does not currently exists.	Statutory Limitations:	None. Source does not currently exists.

ECONOMICS

Total Revenue (2001):	$178,000,000	Growth Rate (91-01):	n/s
Allocation Breakdown:	State General Fund $178,000,000	Forecast Determinates:	Sales activity; Wage and Salary Employment
		Dependence on Growth:	Moderate
Generating Ability:	$178,000,000	Elasticity Calculations:	
Per:	per 0.25 percent increase in the tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on the market value of a transferred property. Automatically reflects changes in inflation and other		

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

market forces.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Gross Receipts Tax of 0.25 Percent on All Businesses With a Standard Deduction of Approximately $300,000 and a One-for-One Credit For Paid Business License Tax

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 8

Comments:

Gross receipts tax would be among the highest revenue generating sources in the state. However, the relatively low rate and numerous deductions would significantly decrease the base upon the tax is levied.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately non-transparent.

Evaluation Score (1-10): 5

Comments:

Relatively non-transparent. Gross receipts taxes are generally included in the price of the product; and thus, hidden to the consumer. That having been said, to the extent that the tax is borne directly by the supplier, the tax would be highly transparent.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively inequitable (horizontally).

Evaluation Score (1-10): 3

Comments:

Two businesses earning $100,000 could bear considerably different tax burdens depending on their cost of goods sold and/or their relative operating costs.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

A gross receipts tax would be relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 9

Comments:

Business activity trends are generally consistent from period to period. As such, it is likely to be highly predictable.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 8

Comments:

Similar to sales tax, gross receipts will fluctuate with the spending patterns of consumers. However, the broad base of the tax, which would include necessities, would tend to make it among the most stable source imaginable.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Comments:

The standard deduction significantly increases the vertical equity of this levy, and some have argued would make it a progressive form of taxation. At the cited threshold ($300,000) approximately 50 to 60 percent of all Nevada businesses would be exempt from the tax. Moreover, the one-for-one BLT credit would likely lower the burden for large businesses above the set threshold.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 7

Comments:

The state's tax administration problems not withstanding, gross receipts taxes are among the simplest to administer and enforce. They require few calculations, particularly those associated with calculating net versus gross returns. We note, however, that the number of accounts created by the application of this levy would materially increase the Department of Taxation's caseload.

*****

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Gross Receipts Tax of 0.25 Percent on All Businesses With a Standard Deduction of Approximately $300,000 and a One-for-One Credit For Paid Business License Tax

---

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is relatively competitive.

Evaluation Score (1-10): 6

Comments:

A gross receipts tax is a form of business taxation. Some businesses would potentially bear a higher tax burden in Nevada than in some other states if this option were to be implemented. Most businesses, however, would not. This is particularly true given the number of entities likely to be exempted from the levy all together. While an analysis of the business tax burdens among the 50 states was not readily available, we note that the amount of revenue generated from this option is considerably less than that reportedly generated by other states from comparable levies.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local residents and businesses.

Evaluation Score (1-10): 4

Comments:

Generally, gross receipts taxes are not exportable. That having been said, to the extent that a company's profit is removed from Nevada once distributed, as in the case of publicly held companies, the tax is theoretically exported. This argument, while particularly pertinent to broad business taxes, could be made of any tax paid by a company largely held by non-Nevadans. That having been said, this option is given a higher score than other gross receipts options because the deductions and credits would likely result in Nevada's largest business, including gaming, bearing a greater burden of the overall levy.

*****

Consideration: **Integration**

Evaluation Summary: Moderately easy to integrate.

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

As currently proposed no intrastate competitive issues are noted.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 6

Comments:

Generally, a gross receipts tax imposes a heavy burden on small businesses and those with high volumes and low margins. The deductions and credits in the immediate option greatly offset these negative implications, and, in fact, the tax would not apply to 50 percent of Nevada's businesses. That having been said, there will be some businesses that will be impacted significantly by the levy and whose businesses decisions may be altered as a result.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

A broad-base business tax would be among the most uniform available. Under the current assumption set, all sectors would be paying similar amounts. This option is assigned a relatively lower score than other gross receipt levies because so many of the state's businesses would be effectively exempted from the tax as a result of the standard deduction.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Gross Receipts Tax of 0.25 Percent on All Businesses With a Standard Deduction of Approximately $300,000 and a One-for-One Credit For Paid Business License Tax

---

Evaluation Score (1-10): 6

Comments:

A gross receipts tax would be relatively easy to integrate due to its similarity to the retail sales and use tax; however, some issues with double taxation will likely be present and there will be a learning curve for local businesses. In addition, the number of accounts that would be created is also concerning. The Department of Taxation's existing information technology infrastructure would not likely be able to support such a levy.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Net Profits Tax of Five Percent on All Businesses

REVENUE: Net Profits Tax of Five Percent on All Businesses
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Business Taxes

GENERAL INFORMATION

Description:	A tax on the net profits of businesses. Net profits is defined as gross receipts less the costs of goods sold, general operating expenditures, depreciation and amortization.	Status:	Proposed Sources - Addition
Legal Reference:	None. Source does not currently exists.		
Rate and Application:	5.0 percent on net income (profit).	Distribution:	State General Fund
Exemptions:	None.	Collection Procedure:	None. Source does not currently exists.
Requirements to Change:	None. Source does not currently exists.	Statutory Limitations:	None. Source does not currently exists.

ECONOMICS

Total Revenue (2001):		Growth Rate (91-01):	n/a
Allocation Breakdown:	n/a	Forecast Determinates:	Sales activity; Wage and Salary Employment
		Dependence on Growth:	Moderate
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on the value business activity. Automatically reflects changes in inflation and other market forces.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Net Profits Tax of Five Percent on All Businesses

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 8

Comments:

Source is expected to generate more than $250 million but less then $500 million annually. It is among the highest generating revenue sources in the state and is considered relatively productive.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. Individual burdens are easily calculable, and the tax is used as a primary mechanism for broadening the tax base. We note that determining individual burdens under a profit tax would be more challenging that under a gross receipts tax.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Two businesses earning $100,000 in profit would likely bear relatively similar tax burdens.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately difficult to comply.

Evaluation Score (1-10): 5

Comments:

Taxes on business profits are considered moderately easy to comply with; however, the calculations that determine adjusted gross income and taxable income will inevitably make the tax more difficult to comply with.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is

Consideration: **Predictability**

Evaluation Summary: Moderately unpredictable.

Evaluation Score (1-10): 4

Comments:

Net profits taxes are considered relatively challenging to predict because they impute many of the cost of doing business and my vary greatly from year to year depending on investment and the location within the business cycle. Moreover, there has been an increasing ability for certain industries to avoid taxes.

*****

Consideration: **Stability**

Evaluation Summary: Relatively unstable.

Evaluation Score (1-10): 3

Comments:

Business income taxes are generally believed to be relatively unstable sources of public revenue. For several reasons, including the presence of fixed costs and the desire to "ride out" slower economic periods, a businesses profitability can vary significantly with a region's economic ups and downs.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 9

Comments:

Because tax is based on a percentage of income, higher income producing businesses would be expected to pay a similar share of their income in a profits tax.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively difficult to administer.

Evaluation Score (1-10): 3

Comments:

Income taxes are among the most difficult to administer.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

---

relatively competitive.

Evaluation Score (1-10): 7

Comments:

A number of other states have a business profits tax. A rate of five percent would be relatively similar to these jurisdictions.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local residents and businesses.

Evaluation Score (1-10): 5

Comments:

Generally, business profits taxes are not exportable. That having been said, to the extent that a company's profit is removed from Nevada once distributed, as in the case of publicly held companies, the tax is theoretically exported. This argument, while particularly pertinent to broad business taxes, could be made of any tax paid by a company largely held by non-Nevadans.

*****

Consideration: **Integration**

Evaluation Summary: Moderately difficult to integrate.

Evaluation Score (1-10): 5

Comments:

Integration of a net profits tax would likely be challenged by the constitutional prohibition against income taxes and it would require significant compliance, enforcement and audit staff.

jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

As currently proposed no intrastate competitive issues are noted.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Some impacts on economic decision making

Evaluation Score (1-10): 5

Comments:

While certainly less burdensome than a broad-based gross receipts tax, a business profits tax would be an increased cost of doing business and may impact economic decision-making. At five percent, this impact is expected to be fairly material.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 9

Comments:

A broad base business tax would be among the most uniform available. Under the current assumption set, all sectors would be paying similar amounts.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Doubling the Businesses Activity Tax from $25 Per Full-time Equivalent Employee Per Quarter to $50 Per Full-time Equivalent Employee Per Quarter

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REVENUE: Doubling the Businesses Activity Tax from $25 Per Full-time Equivalent Employee Per Quarter to $50 Per Full-time Equivalent Employee Per Quarter

GENERAL ANALYSIS CATEGORY: Sources Cited for Review

SUBCATEGORIZATION: Business Taxes

GENERAL INFORMATION

Description:	Expansion to the existing tax imposed on persons conducting business in the State of Nevada.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 364A		
Rate and Application:	An additional $25 for each equivalent full-time employee (468 hours) employed by the business during the calendar quarter, raising the total fee to $50 per each full-time equivalent employee.	Distribution:	State General Fund
Exemptions:	Non-profit religious, charitable or educational associations and governmental entities or a business that creates or produces motion pictures. Hours worked by pupils in school-supervised work-study programs as well as equal hours worked by one full-time or part-time employee. Also, partial exemption to employer who provides childcare. A new or expanding business may qualify for a partial abatement.	Collection Procedure:	Business must first obtain a state business license (see fees below). Tax is due on the last day of each calendar quarter and must be paid on or before the last day of the following month, unless total tax due each quarter is less than $25, then an annual payment is required.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$77,270,722	Growth Rate (91-01):	5.7%
Allocation Breakdown:	State General Fund $77,270,722	Forecast Determinates:	Employment
		Dependence on Growth:	Moderate
Generating Ability:	$3,090,829	Elasticity Calculations:	
Per:	per $1 increase in the quarterly tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Doubling the Businesses Activity Tax from $25 Per Full-time Equivalent Employee Per Quarter to $50 Per Full-time Equivalent Employee Per Quarter

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Source would generate more than $30 million but less than $100 million annually. At this level, it would be moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 9

Comments:

Relatively transparent. Individual burdens are easily calculable, and the tax is used as a primary mechanism for broadening the tax base away from non-gaming, non-mining, and non-insurance industries. The noted exemptions allow the revenue source to be tailored specifically to omit socially desirable employment or economic development (i.e., not for profits, etc.).

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately inequitable (horizontally).

Evaluation Score (1-10): 5

Comments:

The profitability of a firm per employee varies greatly between and within industries. As such, two firms with similar levels of profitability will not necessarily have the same tax liability. The company which creates more jobs is effectively taxed at a higher rate.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Tax is relatively predictable because it is based on employment which is tracked monthly by the department of employment training and rehabilitation.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

While employment will tend to vary with business cycles, this is most often a function of growth as opposed to actual downsizing of firms. This revenue source is declining in inflation adjusted terms; however, the decline is largely the result of its structure which is unitary, without any adjustment for inflation. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 34 percent between FY 1991 and FY 2001. Approximately 26 percent of that variation was attributable to inflation.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 6

Comments:

The equity concerns outlined in the adjacent treatment of vertical equity are also germane to the immediate topic. The fact two firms require different number of employees does not necessarily have a direct relationship to the firms' ability to generate revenue or its profitability. As such, labor-intensive businesses bare a greater relative burden than do businesses that support fewer jobs.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Doubling the Businesses Activity Tax from $25 Per Full-time Equivalent Employee Per Quarter to $50 Per Full-time Equivalent Employee Per Quarter

---

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is relatively competitive.

Evaluation Score (1-10): 6

Comments:

Most states do not impose a business license tax. Rather, they have a business income tax or other similar levy. Nevada businesses pay significantly less than similar businesses in other jurisdictions.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 3

Comments:

Generally, business license taxes are not exportable. That having been said, to the extent that a company's profit is removed from Nevada once distributed, as in the case of publicly held companies, the tax is theoretically exported. This argument, while particularly pertinent to broad business taxes, could be made of any tax paid by a company largely held by non-Nevadans.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to special business licensee taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 6

Comments:

There is no indication that the existence or application of Nevada's business license tax materially affects normal economic decision-making. Thus, the tax is assumed to be economically neutral. That having been said, at some point the imposition of higher employment-based fees will discourage business from hiring additional people.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform in application. There are relatively few exemptions, so most business pay similar amounts.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Two-Percent Tax on Leased Commercial/Income Producing Property

---

REVENUE: Two-Percent Tax on Leased Commercial/Income Producing Property
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Business Taxes

GENERAL INFORMATION

Description:	Tax on the rental rate charged on non-residential income producing property.	Status:	Proposed Sources - Addition
Legal Reference:	None. Source does not currently exists.		
Rate and Application:	2 percent fee on the lease rate for all leased non-residential property.	Distribution:	State General Fund
Exemptions:	None.	Collection Procedure:	None. Source does not currently exists.
Requirements to Change:	None. Source does not currently exists.	Statutory Limitations:	None. Source does not currently exists.

ECONOMICS

Total Revenue (2001):		Growth Rate (91-01):	n/a
Allocation Breakdown:	n/a	Forecast Determinates:	Office, industrial and retail employment growth.
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on the market value of a transferred property. Automatically reflects changes in inflation and other market forces. Note most commercial property leases have annual adjustments at either a fixed rate or tied to the consumer price index.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Two-Percent Tax on Leased Commercial/Income Producing Property

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Preliminary estimates suggest that a tax on leased commercial property would generates more than $30 million but less than $100 million annually. At this level, it would be considered a moderately productive source of revenue.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. Individual burdens are likely to be easily calculable, and the tax is used as a primary mechanism for broadening the tax base to include all business sectors.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately inequitable (horizontally).

Evaluation Score (1-10): 5

Comments:

Two theoretical firms both earning $100,000 would have equal tax burdens to the extent that they utilized the same amount of space per employee and to the extent that they both leased space. Office, industrial and retail business use 250, 600, and 350 square feet per employee on average. This would suggests that industrial-related employers (e.g., warehouses and manufacturing firms) would bear a higher burden even at similar revenue levels. Of course, a business owning its own building would have no burden at the same revenue level; however, this would be somewhat offset by the increase property tax burden that would exist.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Information on the base of leased commercial space is limited at best. However, once the first year of information becomes available, the source should be moderately predictable based on the fact that most leases have terms between three and ten years. Fluctuations in lease rate may pose some challenges, but there are a number of sources which track the data relatively well.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

While employment will tend to vary with business cycles, this is most often a function of growth as opposed to actual downsizing of firms. Some firms may choose not to expand in slower economic periods, but so long as the employment base does not erode, negative absorption in the commercial and industrial markets is unlikely.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 4

Comments:

Earning more money would not necessarily equate to a higher tax burden. For example, warehousing businesses with high space requirements and relatively low per square foot returns would potentially carry a higher burden than a finance company, which requires less space but has considerable higher earnings potential.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 7

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Two-Percent Tax on Leased Commercial/Income Producing Property

---

Comments:

Source would be relatively easy to comply with once implemented. However, existing contracts and increasing awareness and understanding may be challenging.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is substantially higher or lower than in other jurisdictions.

Evaluation Score (1-10): 3

Comments:

The only comparable state that has been identified (as of yet) that taxes leased commercial property is Arizona. The state of Arizona eliminated its levy on commercial property in 1997; however, some cities continue to impose the tax at the local level. Because so few states impose the tax, interstate competitiveness would be high.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 3

Comments:

Generally, taxes on leased commercial property are not exportable. That having been said, to the extent that a company's profit is removed from Nevada once distributed, as in the case of publicly held companies, the tax is theoretically exported. This argument, while particularly pertinent to broad business taxes, could be made of any tax paid by a company largely held by non-Nevadans.

*****

Consideration: **Integration**

Evaluation Summary: Moderately easy to integrate.

Evaluation Score (1-10): 6

Comments:

The state's tax administration problems not withstanding, taxes on leased commercial property is anticipated to be relatively straightforward to administer.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to special business licensee taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Some impacts on economic decision making

Evaluation Score (1-10): 4

Comments:

One of the greatest cost of doing business is the acquisition of space. A tax imposed on the rental of property would likely incentivize businesses to further postpone expansion decisions. It is also likely to have a chilling effect on new businesses considering Nevada and other jurisdictions for relocation and/or expansion.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

As analyzed, the tax would apply to all speculative leased commercial and industrial property. While the source would apply uniformly to leased space, it may disproportionately favor businesses with operator owned facilities.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Two-Percent Tax on Leased Commercial/Income Producing Property

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Comments:

The tax would likely be moderately straightforward to integrate into the existing system; however, some challenges to timing may be present as leases are renewable.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling All State Corporate Filing Fees (including incorporation fees)

REVENUE: Doubling All State Corporate Filing Fees (including incorporation fees)
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Business Taxes

GENERAL INFORMATION

Description:	Fees based on services provided to business when filing with the Secretary of State.	Status:	Proposed Sources - Expansion
Legal Reference:	Incorporation Fees: NRS 78, 78A, 80 and 81; Business trusts: NRS 88A.900; NRS 86.151; Limited Liability Companies NRS 86.151; Limited Partnerships NRS 88.415 and 88.516; Limited Liability Partnerships NRS 87.440 and 87.560; Trademarks NRS 600.370; Uniform Commercial Code filings NRS 140		
Rate and Application:	A doubling of all fees outlined for incorporation and commercial filings, includes corporation, partnerships, limited liability companies, and business trusts.	Distribution:	State General Fund
Exemptions:	None cited.	Collection Procedure:	Fee is payable at the time of filing.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$22,913,823	Growth Rate (91-01):	11.1%
Allocation Breakdown:	State General Fund $22,913,823	Forecast Determinates:	Gross State Product; Employment
		Dependence on Growth:	Moderate
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Unitary fee. Not designed to adjust with inflation.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling All State Corporate Filing Fees (including incorporation fees)

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 5

Comments:

Source would generate more than $10 million but less than $30 million annually. At this level, it would be moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Relatively transparent. The burden on business is clear, as is the goal of the fee.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Two corporation earning the same amount of money would pay relatively similar incorporation and commercial filing fees. We note however that this is only true to the extent that corporations of equal sizes (as measured by the value of their shares) produce similar returns. To the extent that they do not, two corporations would bear dissimilar burdens relative to corporate filing fees.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities. That having been said, a number of firms seem to be confused regarding the need to file annual renewals.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Trends in the number of businesses forming under the laws of Nevada and national economic growth have been moderately predictable. Changes in the economic cycle will make these considerably more difficult.

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Evaluation Score (1-10): 5

Comments:

Fees are a mixture of one time and recurring fees. Changes in the economic cycle will likely have measurable impacts on their revenue generating ability.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Corporation fees are mildly tiered, as such there is some level of vertical equity. This tiering, however, is minimal and is capped at $25,000, which cuts against vertical equity, particularly of the largest firms. Additionally, commercial filing fees are fixed with small and large companies bearing equal burdens.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

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relatively competitive.

Evaluation Score (1-10): 7

Comments:

Nevada's incorporation and commercial filing fees are among the lowest in the nation. These low rates are used as an incentive to attract non-resident businesses and industries to file in the state.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-local residents and businesses.

Evaluation Score (1-10): 6

Comments:

A number of businesses are incentivized to incorporate in the State of Nevada by our relatively low incorporation and filing rates. As such, a significant share of the fees paid are done so by companies that are residents of other states.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to this revenue source.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

We note that many businesses are incentivized make Nevada their legal residence due to the state's low rates. Even doubling the state's fees would leave Nevada's fees well below the majority of jurisdictions. This fact notwithstanding, incorporation and commercial filing fees are a legitimate business cost that has the potential to impact how and where companies do business.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Commercial filing fees are all generally uniform in their rates and application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Implementing a One Percent Payroll Tax

REVENUE: Implementing a One Percent Payroll Tax
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Business Taxes

GENERAL INFORMATION

Description:	Tax imposed on the amount of wages paid to Nevada employees.	Status:	Proposed Sources - Expansion
Legal Reference:	None. Source does not currently exists.		
Rate and Application:	1 percent on wages and salaries paid by Nevada businesses.	Distribution:	State General Fund
Exemptions:	Government employees' wages are exempted.	Collection Procedure:	None. Source does not currently exists.
Requirements to Change:		Statutory Limitations:	None. Source does not currently exists.

ECONOMICS

Total Revenue (2001):	$306,031,929	Growth Rate (91-01):	8.5%
Allocation Breakdown:	State General Fund $306,031,929	Forecast Determinates:	Employment
		Dependence on Growth:	Moderate
Generating Ability:	$76,507,982	Elasticity Calculations:	
Per:	per 0.25 percent increase in the tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on the market value of a labor. Automatically reflects changes in inflation and other market forces. Note most commercial property leases have annual adjustments at either a fixed rate or tied to the consumer price index.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Implementing a One Percent Payroll Tax

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 8

Comments:

Source is expected to generate more than $250 million but less then $500 million annually. It is among the highest generating revenue sources in the state and is considered relatively productive.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 9

Comments:

Relatively transparent. Individual burdens are easily calculable, and the tax is used as a primary mechanism for broadening the tax base away from non-gaming, non-mining, and non-insurance industries. The noted exemptions allow the revenue source to be tailored specifically to omit socially desirable employment or economic development (i.e., not for profits, etc.).

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately inequitable (horizontally).

Evaluation Score (1-10): 5

Comments:

Similar to the per employee tax, this tax would favor high-margin, low-volume industries and would have a disparate impact on low-margin, high-volume companies. It achieves some additional equity from the fact that higher-margin companies tend to have higher payrolls per employee.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Payroll information is tracked by the Nevada State Department of Employment, Training & Rehabilitation. Trends with regard to these data are relatively stable; and as such, payroll taxes are expected to be relatively predictable.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

While employment will tend to vary with business cycles, this is most often a function of growth as opposed to actual downsizing of firms. Some firms may choose not to expand in slower economic periods, but so long as the employment base does not erode, negative absorption in the commercial and industrial markets is unlikely.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 6

Comments:

The equity concerns outlined in the adjacent treatment of vertical equity are also germane to the immediate topic. The fact two firms require different number of employees does not necessarily have a direct relationship to the firms' ability to generate revenue or its profitability. As such, labor-intensive businesses bare a greater relative burden than do businesses that support fewer jobs. It achieves some additional equity from the fact that higher-margin companies tend to have higher payrolls per employee.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Implementing a One Percent Payroll Tax

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in other jurisdictions.

Evaluation Score (1-10): 5

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 3

Comments:

Generally, taxes on payrolls are not exportable. That having been said, to the extent that a company's profit is removed from Nevada once distributed, as in the case of publicly held companies, the tax is theoretically exported. This argument, while particularly pertinent to broad business taxes, could be made of any tax paid by a company largely held by non-Nevadans.

*****

Consideration: **Integration**

Evaluation Summary: Moderately easy to integrate.

Evaluation Score (1-10): 6

Comments:

A payroll tax would be relatively easy to integrate due to the fact that payroll information is tracked and available. Some may view the tax as too similar to the existing business activity tax.

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

As currently proposed no intrastate competitive issues are noted.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 6

Comments:

There is no indication that the existence or application of a payroll tax would effect normal economic decision-making. Thus, the tax is assumed to be economically neutral. That having been said, at some point the imposition of higher employment-based fees will discourage business from hiring additional people.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform in application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Estate Tax (Pick-Up Tax)

REVENUE: Doubling the Estate Tax (Pick-Up Tax)
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Estate & Gift Taxes

GENERAL INFORMATION

Description:	Tax imposed on the estate passed at death of Nevada residents.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 375A. Nev. Con. Art. 10 Sec. 1 (7) and Sec. 4		
Rate and Application:	n/a	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	None cited.	Collection Procedure:	A copy of the Federal Estate Tax return with a check for the amount which appears on the line "credit to state death tax" or Nevada's pro-rated portion on a non-resident decedent, is remitted to the Department of Taxation. If an extension of filing is sent to I.R.S., a copy must also be sent to the Nevada Department of Taxation with a check for estimated amount due.
Requirements to Change:	Removal of Constitutional prohibition would require Constitution amendment.	Statutory Limitations:	Constitutional prohibition. Article 10, Section 4 limits estate tax to the extent of any credit allowed by federal law for the payment of the state tax. The combination of any state tax and the federal tax cannot exceed the estate taxes imposed by the federal law alone. Further, Article 10, Section 1, subsection7 states "No inheritance tax shall ever be levied."

ECONOMICS

Total Revenue (2001):		Growth Rate (91-01):	n/a
Allocation Breakdown:	n/a	Forecast Determinates:	Population over the age of 65
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on the market value of a transferred estate. Automatically reflects changes in inflation and other market forces.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Estate Tax (Pick-Up Tax)

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Given the information available and assumptions cited, source is expected to generate more than $30 million but less than $100 million annually. At this level, it would be moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately non-transparent.

Evaluation Score (1-10): 4

Comments:

This expansion would not be able to take advantage of the federal offset that currently exists, as it would clearly exceed the state death taxes allowed by 26 USCA Section 2011. Generally, excise or death taxes are misunderstood by much of population and lack a nexus between a payment made by a taxpayer and the possibility that a service will be provided. As such, they are less transparent than most other taxes.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two individuals receiving the same income from the distribution of a decedent's estate would be expected to have the same level of tax liability.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Estate taxes are generally considered easy to comply with; however, they may pose some unique challenges with regard to property valuation and income planning.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable based on population, employment and local age demographics.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

The value of estates and the natural attrition of the population makes this source generally stable. Moreover, our aging demographic and the accumulated wealth of the population suggests that an increasing trend is likely should this source remain.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally, vertically equitable. The fact that the tax is based on a percentage of the estate and graduates upward with the value of the estate makes a generally progressive revenue source.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

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other jurisdictions.

Evaluation Score (1-10): 5

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 2

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to estate taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

It is well-settled that the existence of an estate tax, or death tax, incentives individuals to take actions inter vivos or in planning the distribution of their estate which they may otherwise may not. This was one of the underlying reasons why the federal government legislatively phased out the estate/gift tax in the 2001 Tax Reform Act. As such, estate taxes generally violate the principle of economic neutrality.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 9

Comments:

Generally uniform in application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Extending the Estate Tax to "Make-Up" for Federal Elimination of the Tax

---

REVENUE: Extending the Estate Tax to "Make-Up" for Federal Elimination of the Tax
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Estate & Gift Taxes

GENERAL INFORMATION

Description:	Tax imposed on the estate passed at death of Nevada residents.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 375A. Nev. Con. Art. 10 Sec. 1 (7) and Sec. 4		
Rate and Application:	n/a	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	None cited.	Collection Procedure:	A copy of the Federal Estate Tax return with a check for the amount which appears on the line "credit to state death tax" or Nevada's pro-rated portion on a non-resident decedent, is remitted to the Department of Taxation. If an extension of filing is sent to I.R.S., a copy must also be sent to the Nevada Department of Taxation with a check for estimated amount due.
Requirements to Change:	Removal of Constitutional prohibition would require Constitution amendment.	Statutory Limitations:	Constitutional prohibition. Article 10, Section 4 limits estate tax to the extent of any credit allowed by federal law for the payment of the state tax. The combination of any state tax and the federal tax cannot exceed the estate taxes imposed by the federal law alone. Further, Article 10, Section 1, subsection7 states "No inheritance tax shall ever be levied."

ECONOMICS

Total Revenue (2001):		Growth Rate (91-01):	n/a
Allocation Breakdown:	n/a	Forecast Determinates:	Population over the age of 65
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on the market value of a transferred estate. Automatically reflects changes in inflation and other market forces.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Extending the Estate Tax to "Make-Up" for Federal Elimination of the Tax

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Given the information available and assumptions cited, source is expected to generate more than $30 million but less than $100 million annually. At this level, it would be moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately non-transparent.

Evaluation Score (1-10): 4

Comments:

This expansion would not be able to take advantage of the federal offset that currently exists, as it would clearly exceed the state death taxes allowed by 26 USCA Section 2011. Generally, excise or death taxes are misunderstood by much of population and lack a nexus between a payment made by a taxpayer and the possibility that a service will be provided. As such, they are less transparent than most other taxes.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two individuals receiving the same income from the distribution of a decedent's estate would be expected to have the same level of tax liability.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Estate taxes are generally considered easy to comply with; however, they may pose some unique challenges with regard to property valuation and income planning.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Moderately predictable based on population, employment and local age demographics.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

The value of estates and the natural attrition of the population makes this source generally stable. Moreover, our aging demographic and the accumulated wealth of the population suggests that an increasing trend is likely should this source remain.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally, vertically equitable. The fact that the tax is based on a percentage of the estate and graduates upward with the value of the estate makes a generally progressive revenue source.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

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other jurisdictions.

Evaluation Score (1-10): 5

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 2

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to estate taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

It is well-settled that the existence of an estate tax, or death tax, incentives individuals to take actions inter vivos or in planning the distribution of their estate which they may otherwise may not. This was one of the underlying reasons why the federal government legislatively phased out the estate/gift tax in the 2001 Tax Reform Act. As such, estate taxes generally violate the principle of economic neutrality.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 9

Comments:

Generally uniform in application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the State's Excise Taxes on Liquor

REVENUE: Doubling the State's Excise Taxes on Liquor
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Excise Taxes

GENERAL INFORMATION

Description:	Excise tax on importation, processing, storing or selling of all liquor including beer containing 0.5 percent or more of alcohol by volume and used for beverage purposes. Sales tax is collected on the total price.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 369		
Rate and Application:	Products with over 22 percent alcohol increases from $2.05 to $4.10 per gallon; products with 14 percent to 22 percent alcohol increase from $0.75 to $1.50 per gallon; products with up to 14 percent alcohol increases from $0.40 to $0.80 per gallon; malt beverages, including beer, increases from $0.09 to $0.18 per gallon	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Common carriers in interstate commerce. Army-Navy exchanges, clubs or messes. Schools, hospitals or churches if for medical, scientific, religious or industrial purposes. Credit allowed for export out of state. Individuals may import twelve (12) cases per year for personal use.	Collection Procedure:	Licenses issued by the Department of Taxation. Returns due by the 20th of each month on all imports during prior month. If paid on or before the 15th, a 3 percent discount is allowed.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$18,877,492	Growth Rate (91-01):	2.7%
Allocation Breakdown:	State General Fund $18,877,492	Forecast Determinates:	Population & Employment
		Dependence on Growth:	Low
Generating Ability:	$734,277	Elasticity Calculations:	
Per:	per $0.01 increase in the rates respectively. $607,570 for malt liquor (including beer); $69,121 for wine (.5 percent to 14 percent alcohol); $7,675 for cordials (14 percent to 22 percent alcohol); $7675 for hard liquor (above 22 percent alcohol).	Base: Gross State Product	0.25
		Base: Income	0.24

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the State's Excise Taxes on Liquor

Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the State's Excise Taxes on Liquor

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 5

Comments:

Given the information available and assumptions cited, source is expected to generate more than $10 million but less than $30 million annually. At this level, it would be moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. Individual burdens are clearly calculable, and the tax reflects the fiscal axiom of generating public revenues from socially undesirable behaviors, particularly those that have measurable and material externalities as compared to their social and economic value.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two consumers earning the same amount of money would be expected to pay relatively similar shares of their income in liquor taxes. Any variation would be related to consumer preferences.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

The predictable growth pattern of the state, and particularly Southern Nevada, has made this a relatively predictable source of revenue. However, it is highly dependent on growth and development, which suggests that it may become more challenging to predict in the future.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Generally stable. While this revenue source is declining in inflation adjusted terms, the decline is largely the result of its structure which is unitary (having no adjustment for inflation). The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 17 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 2

Comments:

Taxes on liquor are generally agreed to be among the most regressive taxes in the public revenue arsenal. Lower income consumers spend a materially higher share of their aggregate income on liquor purchases; and as such, their resulting personal tax liability (in relative terms) is substantially greater than that of individuals with higher incomes.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

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relatively competitive.

Evaluation Score (1-10): 7

Comments:

Nevada's liquor taxes are among the lowest in the country. Doubling liquor taxes would bring Nevada more in line with national averages; however, it may make tax some types of liquor and somewhat higher rates than surrounding states.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local residents and businesses.

Evaluation Score (1-10): 4

Comments:

Spending by visitors generates a significant share of the State's liquor sales. To that extent, the tax is exported.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

jurisdictions within the state.

Evaluation Score (1-10): 8

Comments:

Liquor taxes are not generally competitive among jurisdictions within the state due to consumers' inability to "shop rates." We note, however, that liquor tax is part of the formula-based consolidated tax distribution, which allocates selected revenues among Nevada's counties and cities (first and second tier). This distribution has been an area of inter-jurisdictional competitiveness in recent years.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

There is no indication that the existence or application of the liquor tax materially affects normal economic decision-making. The tax is assumed to be economically neutral; however, large increases may price some lower income consumers out of the market.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

Liquor taxes are applied to all types of consumer goods containing alcohol for consumption purposes. However, the tax does treat different types of alcohol differently depending on content. In that sense, the levy violates the principle of uniformity.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the State's Excise Tax on Cigarettes

REVENUE: Doubling the State's Excise Tax on Cigarettes
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Excise Taxes

GENERAL INFORMATION

Description:	Excise tax on the sale and distribution of cigarettes. Tax prepaid by the wholesaler and recovered from the consumer by adding the tax to the selling price. In addition, sales tax is collected on the total selling price of cigarettes and other tobacco products.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 370		
Rate and Application:	Tax increases to 35 mills per cigarette ($0.70 per pack of 20); $300 per year for wholesaler's license fee.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Common carriers engaged in interstate commerce, the Army, Air Force, Navy or Marine Corps, veterans hospitals, post exchanges, officers' messes and sales within federal enclaves. Sales by Indian "smoke shops" providing Tribe imposes a tax equal to state levy.	Collection Procedure:	Licensed cigarette wholesalers purchase stamps or meter settings to be affixed or imprinted on each pack from Department of Taxation. Collection allowance for cigarette dealers is 3 percent discount; tobacco dealers receive a 2 percent discount. Tax must be paid before tobacco is sold.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$60,757,050	Growth Rate (91-01):	2.5%
Allocation Breakdown:	State General Fund $60,757,050	Forecast Determinates:	Population & Employment
		Dependence on Growth:	Low
Generating Ability:	$1,808,808	Elasticity Calculations:	
Per:	per $0.01 increase in the rate.	Base: Gross State Product	0.20
		Base: Income	0.22
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the State's Excise Tax on Cigarettes

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Given the information available and assumptions cited, source is expected to generate more than $30 million but less than $100 million annually. At this level, it would be moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. Individual burdens are clearly calculable, and the tax reflects the fiscal axiom of generating public revenues from socially undesirable behaviors, particularly those that have measurable and material externalities as compared to their social and economic value.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two consumers paying earning the same amount of money would be expected to pay relatively similar shares of their income in cigarette taxes. Any variation would be related to consumer preferences.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is quite competitive with other

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable based on population & employment.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

While this revenue source is declining in inflation adjusted terms, the decline is largely the result of its structure which is unitary, without any adjustment for inflation. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 17 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 2

Comments:

Taxes on cigarettes are generally believed to be among the most regressive taxes in the public revenue arsenal. Lower income consumers spend a materially higher share of their aggregate income on cigarette purchases; and as such, their resulting personal tax liability (in relative terms) is substantially greater than that of individuals with higher incomes.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among

Note:

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jurisdictions.

Evaluation Score (1-10): 8

Comments:

Doubling Nevada's cigarette tax would bring the state closer to the regional average. It would, however, make Nevada's tax higher than some Western States.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local residents and businesses.

Evaluation Score (1-10): 4

Comments:

Spending by visitors generate a significant share of the State's cigarette sales. To that extent, the tax is exported.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

jurisdictions within the state.

Evaluation Score (1-10): 8

Comments:

Cigarette taxes are not generally competitive among jurisdictions within the state due to consumers' inability to "shop rates." We note, however, that cigarette tax is part of the formula-based consolidated tax distribution, which allocates selected revenues among Nevada's counties and cities (first and second tier). This distribution has been an area of inter-jurisdictional competitiveness in recent years.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

There is no indication that the existence or application of the cigarette tax materially affects normal economic decision-making. The tax is assumed to be economically neutral; however, large increases may price some lower income consumers out of the market.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform in application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the State's Excise Tax on Other Tobacco Products

REVENUE: Doubling the State's Excise Tax on Other Tobacco Products
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Excise Taxes

GENERAL INFORMATION

Description:	Tax on the transfer of taxable estates of a resident or non-resident decedent. Also includes the "generation skipping transfer provision."	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 370.440 to 370.503		
Rate and Application:	Tax increases from 30 percent of the wholesale price of tobacco products, other than cigarettes to 60 percent.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Common carriers engaged in interstate commerce, the Army, Air Force, Navy or Marine Corps, veterans hospitals, post exchanges, officers' messes and sales within federal enclaves. Sales by Indian "smoke shops" providing Tribe imposes a tax equal to state levy.	Collection Procedure:	Licensed cigarette wholesalers purchase stamps or meter settings to be affixed or imprinted on each pack from Department of Taxation. Collection allowance for cigarette dealers is 3 percent discount; tobacco dealers receive a 2 percent discount. Tax must be paid before tobacco is sold.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$5,602,823	Growth Rate (91-01):	10.8%
Allocation Breakdown:	State General Fund $5,602,823	Forecast Determinates:	Population & Employment
		Dependence on Growth:	Low
Generating Ability:	$56,031	Elasticity Calculations:	
Per:	per 1 percent increase in the rate.	Base: Gross State Product	1.61
		Base: Income	1.37
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the State's Excise Tax on Other Tobacco Products

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Given the information available and assumptions cited, source is expected to generate more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. Individual burdens are clearly calculable, and the tax reflects the fiscal axiom of generating public revenues from socially undesirable behaviors, particularly those that have measurable and material externalities as compared to their social and economic value.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two consumers earning the same amount of money would be expected to pay relatively similar shares of their income in other tobacco taxes. Any variation would be related to consumer preferences.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable based on population & employment.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Generally stable, with an increasing trend. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 18 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 2

Comments:

Taxes on other tobacco products are generally believed to be among the most regressive taxes in the public revenue arsenal. Lower income consumers spend a materially higher share of their aggregate income on cigarette purchases; and as such, their resulting personal tax liability (in relative terms) is substantially greater than that of individuals with higher incomes.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among

Note:

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relatively competitive.

Evaluation Score (1-10): 7

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local residents and businesses.

Evaluation Score (1-10): 4

Comments:

Spending by visitors generate a significant share of the State's other tobacco product sales. To that extent, the tax is exported.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

jurisdictions within the state.

Evaluation Score (1-10): 8

Comments:

Taxes on other tobacco products are not generally competitive among jurisdictions within the state due to consumers' inability to "shop rates." We note, however, that taxes on other tobacco products are part of formula-based consolidated tax distribution among Nevada's counties and cities (first and second tier distributions, respectively)). This distribution has been an area of inter-jurisdictional competitiveness in recent years.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

There is no indication that the existence or application of taxes on other tobacco products materially affects normal economic decision-making. The tax is assumed to be economically neutral; however, large increases may price some lower income consumers out of the market.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform in application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Gasoline Tax

REVENUE: Doubling the Gasoline Tax
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Fuel Taxes

GENERAL INFORMATION

Description:	Per gallon tax of motor vehicle fuel sold, distributed or used. Includes gasoline, gasohol, and any other flammable or combustible liquid for which the chief use is for propulsion of motor vehicles. Does not include kerosene, oil, fuel oil, aviation fuel, jet fuel, diesel fuel or liquefied petroleum gas.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 365 and 373		
Rate and Application:	$0.46 per gallon state mandated rate; $0.01 per gallon county mandated rate for road repair; up to $0.09 per gallon county ordinance for regional transportation projects. Balance is allocated to the state general fund.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Fuel in interstate or foreign commerce; exported from Nevada; sold to the United States Armed Forces; and leaded fuel used in racecars. Refunds allowed for exports; fuel sold to tribal members; and off highway use except fuel used in watercraft for recreational purposes. Claims must be filed within 6 months of purchase. A minimum claim for 200 gallons for a 6-month period is required. Claims for exported fuel must be filed within 3 months of export.	Collection Procedure:	Returns and payments due on or before the 25th of each month for fuel distributed or used the preceding calendar month. Two percent dealer discount is allowed for timely filing and cost of collection.
Requirements to Change:	Gas taxes are specifically earmarked by the Constitution. Using them as a General Fund revenue source would require a constitutional amendment.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority. Constitution limits use of proceeds of any excise tax on fuel to street and highway construction and maintenance, including administration.

ECONOMICS

Total Revenue (2001):	$306,184,219	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $306,184,219	Forecast Determinates:	Population, Taxable Gasoline Gallons, and Consumer Price Index for Gasoline
		Dependence on Growth:	Moderate
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base Case State Product n/a	

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Doubling the Gasoline Tax

Per:		Base: Gross State Product	n/a
		Base: Income	n/a

Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Gasoline Tax

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 8

Comments:

Given the information available and assumptions cited, source is expected to generate more than $250 million but less then $500 million annually. It is among the highest generating revenue sources in the state and is considered relatively productive.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. The tax burden is easily calculable; however, the inelasticity of demand for fuel suggests that external increases are largely borne by the consumer. Some consumers may be unaware of the tax. This fact not withstanding, these taxes are generally used to fund transportation related needs, they are tailored to a socially desirable end.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two consumers earning the same amount of money would be expected to pay relatively similar shares of their income in other gasoline taxes. Some individuals and corporations tend to travel more than others, to the extent that is a consequence of normal economic activity, some inequity may exist.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Relatively predictable based on consumption trends and the consumer price index for gasoline.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 8

Comments:

While there is some variability in the amount of fuel consumed resulting from production-price tradeoffs, weather, and other exogenous variables the general reliance on gasoline promotes a consistent per capita contribution from this source.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Moderately, vertically inequitable. Gasoline taxes tend to be regressive in nature. Dependence on the automobile today is greater than it has ever been. Moreover, the vast majority of Nevada's consumers live in remote or highly automobile dependent regions where public transportation is a limited alternative. The result is that lower income consumers tend to spend a higher share of their disposable income on the purchase of fuels than do higher income consumers.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Gasoline Tax

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is substantially higher or lower than in other jurisdictions.

Evaluation Score (1-10): 2

Comments:

Doubling Nevada's gas taxes would make gas taxes in Nevada among the highest in the country.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

No limitations are cited in the analysis. As such, the tax is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local residents and businesses.

Evaluation Score (1-10): 4

Comments:

Spending by visitors supports a significant share of the gasoline sales. To that extent, the tax is exported to those individuals.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to gasoline taxes.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Some impacts on economic decision making

Evaluation Score (1-10): 5

Comments:

There is no indication that the existence or application of Nevada's gasoline tax materially affects normal economic decision-making. However, businesses and individuals alike rely on gasoline to be productive. The cost of fossil fuels will certainly impact the way individuals conduct their lives and businesses operate.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

Different types of fuels are taxed at different rates. To that extent, the tax is not uniformly applied.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
One-Point Increase in the Top Tier of the Tax of Gross Gaming Win

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REVENUE: One-Point Increase in the Top Tier of the Tax of Gross Gaming Win
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Revenue derived from all gaming operations received as winnings less the total paid out as losses, annuities purchased to fund losses to be paid over several years, and cost of personal property won by a slot machine player. Excludes foreign coins, entry fees, counterfeit bills and fraudulent acts. Not applied to credit play.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 463.370; NRS 463.371; NRS 463.3715		
Rate and Application:	Fee is revised to 3 percent monthly revenue up to $50,000; 4 percent monthly revenue in excess of $50,000 up to $134,000; 7.25 percent monthly revenue in excess of $134,000.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Gross gaming revenue derived from licensees operating from 1 to 15 slot machines only.	Collection Procedure:	Casinos are licensed annually (calendar year). Licensees report gross revenue and remit monthly license fees on or before the 24th of the month based upon operations of the preceding month.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority

ECONOMICS

Total Revenue (2001):	$87,661,098	Growth Rate (91-01):	5.6%
Allocation Breakdown:	State General Fund $87,661,098	Forecast Determinates:	Visitation, Population, & Gaming Spending
		Dependence on Growth:	Low
Generating Ability:	$87,661,098	Elasticity Calculations:	
Per:	per 1 percent increase in the top tier of the rate.	Base: Gross State Product	0.583
		Base: Income	0.557
Inflation Adjustment:	Percentage fee. Automatically reflects changes in inflation and other market forces. Note, however, annual percentage fees are based on wagers made. Because the denominations are generally fixed,		

Note:
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there may be some lag between inflation and increases in the wagering habits of gamers.

Note:

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Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
One-Point Increase in the Top Tier of the Tax of Gross Gaming Win

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively unproductive.

Evaluation Score (1-10): 2

Comments:

Given the information available and assumptions cited, source is expected to generate less than $100,000 annually. As such, it is among the least productive revenue sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Gaming percentage fees are built into the hold percentage of gaming units. Consumers never see the tax and do not have the ability to readily calculate their individual burdens.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Generally, horizontally equitable. Two non-restricted gaming operations earning the same amount of revenue incur the same level of taxation. Again, in a broad since equity is not achieved as non-gaming businesses earning equal revenues pay no similar taxes (some expectations noted).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

On an annual basis, gaming percentage fees are relatively predictable due primarily to their stable growth pattern and direct relationship to tourist visitation and employment. However, because these taxes are prepaid (see Advance License Fee), there is an extra layer of complexity which can cause lags between economic changes and source performance.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

Declining in inflation adjusted per capita terms. This is due largely to the fact that gross gaming revenues are growing at a compounded annual rate less than that of population. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 8 percent between FY 1991 and FY 2001. While the tax on gross gaming win has been a generally stable source of revenue for the past 10 years, it is certainly tied to the hospitality industry economic cycle.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Comments:

Generally equitable. Gaming percentage fees are tiered, which provides some additional vertical equity. However, the tier graduations end at gross gaming revenues of $134,000, which means that more than 90 percent of all gross gaming revenues are taxed at the highest rate.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
One-Point Increase in the Top Tier of the Tax of Gross Gaming Win

---

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is relatively competitive.

Evaluation Score (1-10): 7

Comments:

Generally speaking, Nevada taxes gaming businesses at a rate lower than other commercial gaming jurisdictions. This observation must, however, be balanced against competitive elements of those jurisdictions (i.e., the level to which competition is artificially controlled) as well as the regulatory environment in which they compete.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by non-local residents and businesses.

Evaluation Score (1-10): 9

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, the gaming taxes are not uniform because they are business taxes that apply only to a specific industry. Within that sector, however, the tax is uniformly applied to non-restricted licensees. The tax is not uniformly applied to all gaming licensees as those which have fewer than 15 licenses are not subject to the fee.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Fees Charged to Slot on Route Operators

REVENUE: Doubling the Fees Charged to Slot on Route Operators
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Annual license fee for operating slot route.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 463.660; NRS 463.3855		
Rate and Application:	Fees for the issuance of a slot route operators licensed is increased from $500 to $1000 per year.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	None cited.	Collection Procedure:	All licenses are issued for the calendar year and expire on December 31. The full annual fee is charged, regardless of the date of application or issuance of the license.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority

ECONOMICS

Total Revenue (2001):	$34,000	Growth Rate (91-01):	-1.4%
Allocation Breakdown:	State General Fund $34,000	Forecast Determinates:	Number of Gaming Licensees
		Dependence on Growth:	Low
Generating Ability:	$59	Elasticity Calculations:	
Per:	per $1 increase in the tax rate	Base: Gross State Product	(0.095)
		Base: Income	(0.098)
Inflation Adjustment:	Unitary tax. Not designed to adjust with inflation.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Fees Charged to Slot on Route Operators

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively unproductive.

Evaluation Score (1-10): 2

Comments:

Given the information available and assumptions cited, source is expected to generate less than $100,000 annually. As such, it is among the least productive revenue sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Two slot route operates both earning $100,000 annually would be expected to carry similar burdens. This assumes that the operating margin of slot route operators is generally similar. Again, in a broad since equity is not achieved as non-gaming businesses earning equal revenues pay no similar taxes (some expectations noted).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is relatively competitive.

Evaluation Score (1-10): 7

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Relatively predictable because it is based on the number of licensed slot route operators. Licensees are tracked and reported by the State of Nevada Gaming Control Board.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

While this revenue source is declining in inflation adjusted terms, this is largely the result of its structure which is unitary and does not adjust with inflation. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 29 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

Generally inequitable. If one slot route operator were to generate $10,000 in sales and another were to generate $1,000,000 in sales, the first would pay a substantially higher percentage of its revenue in slot route operators fees than the second.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Fees Charged to Slot on Route Operators

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-local residents and businesses.

Evaluation Score (1-10): 6

Comments:

Highly exportable. Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. While these non-resident gaming expenditures provide the most significant basis for the levy, resident gaming expenditures also provide a material contribution. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, gaming taxes are not uniform because they are business taxes applied only to a specific industry. Within that sector, however, the tax is uniformly applied to all slot route operators. Because of their status, slot route operators are generally exempt from several of the fees applied to non-restricted licensees.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Making Restricted Slot Machines Subject to Gross Gaming Win Fee

---

REVENUE: Making Restricted Slot Machines Subject to Gross Gaming Win Fee
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Operators	Status:	Proposed Sources - Expansion
Legal Reference:	None. Source does not currently exists.		
Rate and Application:	First $50,000 taxable gross gaming revenue taxed at 3.0 percent; next $50,000 to $134,000 taxable gross gaming revenue taxed at 4.0 percent; all taxable gross gaming revenues over $134,000 taxed at 6.25 percent.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	None cited.	Collection Procedure:	None. Source does not currently exists.
Requirements to Change:	n/a	Statutory Limitations:	n/a

ECONOMICS

Total Revenue (2001):		Growth Rate (91-01):	n/a
Allocation Breakdown:	n/a	Forecast Determinates:	Population and Employment
		Dependence on Growth:	Moderate
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee. Automatically reflects changes in inflation and other market forces. Note, however, annual percentage fees are based on wagers made. Because the denominations are generally fixed, there may be some lag between inflation and increases in the wagering habits of gamers.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Making Restricted Slot Machines Subject to Gross Gaming Win Fee

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Given the information available and assumptions cited, source is expected to generate more than $1 million but less than $10 million. As such, when compared to all revenue sources reviewed, it is moderately unproductive.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Generally, horizontally equitable. Two slot route operators earning the same amount of revenue incur the same level of taxation. Again, in a broad since equity is not achieved as non-gaming businesses earning equal revenues pay no similar taxes (some expectations noted).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 6

Comments:

Restricted licensees are smaller and do not have the resources of larger operator. Dealing with all of the requirements to pay the state percentage fees may be challenging.

*****

Consideration: **Interstate Competitiveness**

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

These data are tracked by the Nevada State Gaming control board and are considered relatively predictable.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Taxes on gross gaming revenue have been declining in inflation adjusted per capita terms. This is due largely to the fact that gross gaming revenues are growing at a compounded annual rate less than that of population, and the spending patterns of visitors and residents is changing. Expanding the tax on gross gaming win to include slot route operators would have an additional element of stability due to its higher reliance on resident spending.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Comments:

Generally equitable. Gaming percentage fees are tiered, which provides some additional vertical equity. However, the tier graduations end at gross gaming revenues of $134,000, which means that more than 90 percent of all gross gaming revenues are taxed at the highest rate.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately difficult to administer.

Evaluation Score (1-10): 5

Comments:

Requiring restricted licensees to calculate gross gaming win would be a heavy administrative burden. Audit and enforcement concerns also exist.

*****

Consideration: **Intrastate Competitiveness**

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Making Restricted Slot Machines Subject to Gross Gaming Win Fee

---

Evaluation Summary: Levy differs with other jurisdictions, but is relatively competitive.

Evaluation Score (1-10): 7

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local residents and businesses.

Evaluation Score (1-10): 5

Comments:

Gaming taxes are largely exported to the more than 47 million visitors that travel to Nevada each year. A large share of slot route operator revenues are generated by the gaming expenditures of residents. It should also be noted that gaming taxes are essentially blind, lacking the pass through element of retail sales taxes. As such, movement of the tax is largely borne by gaming operators.

*****

Consideration: **Integration**

Evaluation Summary: Moderately easy to integrate.

Evaluation Score (1-10): 7

Comments:

There may be some challenges to reporting, compliance and enforcement; however, the infrastructure is clearly present.

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there is no cited intrastate competitive factors with regard to gaming taxes. The vast majority of these revenues are allocated to the state's general fund, and local governments have no similar levy.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Generally, gaming taxes are economically neutral, as their existence does not create distortions in economic decision-making. That having been said, investment opportunities for casino gaming operations are broader today than 10 or 20 years ago; and as such, these opportunities combined with the relative costs of operations play a significant role in investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

Broadly speaking, the gaming taxes are not uniform because they are business taxes that apply only to a specific industry. Within that sector, however, the tax is uniformly applied to non-restricted licensees. The tax is not uniformly applied to all gaming licensees as those which have fewer than 15 licenses are not subject to the fee. Expanding the tax to include the revenues generated by slot route operators would increase the uniformity of the taxes application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Implementation of a State Lottery

REVENUE: Implementation of a State Lottery
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Revenues generated from the operation of a state run lottery	Status:	Proposed Sources - Addition
Legal Reference:	None. Source does not currently exists.		
Rate and Application:	n/a	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	None cited.	Collection Procedure:	None. Source does not currently exists.
Requirements to Change:	Removal of Constitutional prohibition would require Constitution amendment.	Statutory Limitations:	Lotteries are prohibited by Article IV of the Constitution.

ECONOMICS

Total Revenue (2001):		Growth Rate (91-01):	n/a
Allocation Breakdown:	n/a	Forecast Determinates:	Full-time equivalent population
		Dependence on Growth:	Moderate
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	n/a		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Implementation of a State Lottery

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 7

Comments:

Given the information available and assumptions cited, source is expected to generate more than $100 million but less than $250 million annually. Comparatively speaking, it is a relatively productive source of revenue for the state.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Lotteries are generally considered moderately transparent. While the individual burden is somewhat straightforward to calculate, the ability of fashion a socially desirable end is made more difficult by the sources highly regressive nature.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Two consumers earning the same amount of money would be expected to purchase similar amounts of lottery tickets. To the extent they did not, this would largely be associated with the individual consumer's preferences.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is quite competitive with other jurisdictions.

Evaluation Score (1-10): 8

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Our unique economic landscape makes estimating the revenue producing capability of a lottery particularly challenging. However, one established, the revenue stream from a state run lottery would likely be relatively predictable.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

Lottery sales have been proven to be fairly stable sources of revenue. Some studies have shown that during slower economic periods, lottery sales per capita actually rise.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

Lotteries are generally considered to be vertically inequitable as they are disproportionately funded by lower income residents. This may be somewhat offset by the fact that visitors will contribute to lottery purchases.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 6

Comments:

Administrative expenses for the operation of a lottery tend to be somewhat higher than average revenue sources.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Implementation of a State Lottery

Comments:

Thirty-four states currently have some type of lottery operation. Surrounding state's with lotteries include California, Arizona and Idaho.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-local residents and businesses.

Evaluation Score (1-10): 6

Comments:

Revenues from a state lottery would likely come from a blend of resident and visitor spending. On a full time equivalent basis, visitors account for roughly 18 percent of the state's population. As such, a material share of the revenue is likely to be exported.

*****

Consideration: **Integration**

Evaluation Summary: Moderately difficult to integrate.

Evaluation Score (1-10): 5

Comments:

Integration of a net profits tax would likely be challenged by the constitutional prohibition against state lotteries and it would require significant compliance, enforcement and audit staff.

Comments:

As currently proposed no intrastate competitive issues are noted.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that the existence or application of state run lottery would materially impact economic decision-making.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform in application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Doubling of the State Transient Lodging Tax from One Percent to Two Percent

---

REVENUE: Doubling of the State Transient Lodging Tax from One Percent to Two Percent
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Gaming Taxes

GENERAL INFORMATION

Description:	Expansion of the state tax on revenues from the rental of transient lodging.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 244.3352		
Rate and Application:	State lodging tax increases from 1 percent to 2 percent of gross receipts on revenues generated from the rental of transient lodging. Note that of the existing 1 percent, 3/8 goes to the state and 5/8 is a local source of revenue. Thus, the new tax would allocate 1 3/8 percent to the state.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Complimentary rooms are not subject to the levy.	Collection Procedure:	Remitted as specified in the county or city ordinance. If not paid as specified, a penalty of 10 percent applies as well as interest of 1.5 percent.
Requirements to Change:	n/a	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$34,801,787	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $34,801,787	Forecast Determinates:	Tourist Visitation
		Dependence on Growth:	Moderate
Generating Ability:	$34,801,787	Elasticity Calculations:	
Per:	per 1 percent increase in the top tier of the rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee. Automatically reflects changes in inflation and other market forces.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Doubling of the State Transient Lodging Tax from One Percent to Two Percent

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 5

Comments:

Given the information available and assumptions cited, source is expected to generate more than $10 million but less than $30 million annually. At this level, it would be moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue from an industry that operates as a matter of privilege.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Two consumers earning the same amount of money would be expected to have similar expenditures on lodging. To the extent they did not, this would largely be associated with the individual consumer's preferences.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 9

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Rooms revenue has been increasing as a percentage of statewide non-restricted gaming establishment revenue since 1990. It currently stands at roughly 19 percent and has been within one or two percent of that level for the past three to four years. Rooms revenue also varies with economic conditions and with Nevada's seasonal visitation pattern. These issues not withstanding, transient lodging tax is relatively predictable.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

Taxes on transient lodging are by definition dependent on transient visitations; and thus, the economic cycles of the tourism industry. The base of the tax, rooms revenue, varies with seasonality other visitation trends as operates employ yield management as a way of stimulating additional tourism and maximizing return for their respective properties. These issues not withstanding, the source considered moderately stable.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally, vertically equitable. The incidence of renting transient lodging tends to rise with wealth (as does travel). As such, a wealthier consumer would be expected to contribute a higher relative share of their disposable income to transient lodging taxes than would a less wealthy consumer.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Doubling of the State Transient Lodging Tax from One Percent to Two Percent

---

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is relatively competitive.

Evaluation Score (1-10): 6

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by non-local residents and businesses.

Evaluation Score (1-10): 9

Comments:

Highly exportable. Lodging taxes are largely exported to the more than 47 million visitors that travel to Nevada each year.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Limited competition among jurisdictions within the state.

Evaluation Score (1-10): 7

Comments:

Local governments impose a tax on lodging. To the extent that the state may "absorb" some of the tax capacity associated with this revenue source some limited competition may exists.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Every marginal increase in costs comes with a marginal decrease in quality demanded. However, Nevada's hospitality companies are charging higher room rates on average, with few impacts. A one percent increase in lodging taxes is expected to have limited impacts on consumer behavior or the economic decisions of businesses.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform in application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Expansion of the Property Tax, Raising Cap from $3.64 to $5.00 Constitutional Maximum

---

REVENUE:	Expansion of the Property Tax, Raising Cap from $3.64 to $5.00 Constitutional Maximum
GENERAL ANALYSIS CATEGORY:	Sources Cited for Review
SUBCATEGORIZATION:	Property Taxes

GENERAL INFORMATION

Description:	Same as property tax, however, rate is expanded to reach the constitutional maximum of $5.00 per $100 of assessed value as opposed to its current level $3.64 per $100 of assessed value. Property tax in general: taxable value for land is full cash value; for improved land. Cash value is based on actual use; for improvements, value is replacement cost less depreciation at 1.5 percent per year up to 50 years. Assessment is 35 percent of taxable value.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 361; Nevada Constitution Article 10, Section 1		
Rate and Application:	All taxable property taxed at $5.00 per$100 of assessed value.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Real Property - governmental; religious, educational and some charitable organizations; partial exemption for the blind, surviving spouses, orphans, veterans. Limited deferral on agricultural land and apprentice training programs. Some abatements are also allowed. Personal Property - in addition to those previously noted, household furnishings, boats, inventory, goods in transit (Freeport), raw materials used in manufacturing, electric generation using renewable energy resources; computer equipment donated to a foundation for use in schools; art work valued at $25,000 or more on public display, consumable business supplies. Also some abatements provided for economic development and apprentice training programs.	Collection Procedure:	Real and secured personal property: assessed July 1; placed on tax roll in December; taxes payable in four installments, 3rd Monday of August, and 1st Monday of October, January and March. Unsecured property: assessed between May 1 and April 30; taxes due on notice, except mobile homes and business personal property may be paid in four installments if certain conditions are met.
Requirements to Change:	Legislature has authority to increase rates within the $5.00 Constitutional limit. Any increase would require a 2/3-majority approval in both houses of the Legislature. A change in the $5.00 Constitutional limit would require an amendment to the Constitution.	Statutory Limitations:	Maximum rate limited by Constitution to $5 per $100 assessed value. Statutes lower the limit to a total combined tax rate of $3.64. Under limited emergency circumstances, the rate may exceed $3.64. Further, local governments, other than schools, are limited in the total amount of revenue which can be received from property tax. Revenue overrides may be approved by voters or Legislature. Legislature has authority to increase within Constitutional constraints,

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Expansion of the Property Tax, Raising Cap from $3.64 to $5.00 Constitutional Maximum

---

ECONOMICS

Total Revenue (2001):	$972,171,069	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $972,171,069	Forecast Determinates:	Construction Activity & Real Property Value Appreciation
		Dependence on Growth:	High. Due primarily to the existing depreci
Generating Ability:	$5,117,207	Elasticity Calculations:	
Per:	$0.01 (one cent) increase in the property tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Adjusts automatically for inflation based on property appreciation/depreciation over time (e.g., changes in replacement cost, which is an arms length retail transaction). Note that property is automatically depreciated at 1.5 percent each year.		

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Expansion of the Property Tax, Raising Cap from $3.64 to $5.00 Constitutional Maximum

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 9

Comments:

Generating more than $500 million annually, this revenue source is among the most robust in the state. Few if any sources generate more revenue, and those that do are generally structured to provide revenue to multiple levels of government.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 9

Comments:

Property tax burdens are easily calculable, and they are based on the generally accepted approach of generating public revenues from the state's personal and real property value.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Residentially, horizontally equitable. Non-residentially, moderately equitable. Two households owning or using the same amount of real or personal property would be expected to pay the same amount of property tax (either directly or through built in rent premiums). We note, however, that the relationship between corporate revenue and real or personal property assets, while direct, is not necessarily one-to-one. As such, two firms with the same revenue may very well have quite different property tax obligations (c.f. a manufacturing firm and a finance company).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 9

Comments:

Property taxes are relatively predictable due to the relative stability in property values, population and employment growth, and inflation.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 9

Comments:

Relatively stable, with a general growth trend. While economic history has shown that property taxes are susceptible to strong economic downturns, they are among the most stable sources of revenue because the scarce nature of property tends to result in a maintenance or appreciation of value.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Comments:

Moderately, vertically equitable. While the amount of property owned tends to increase with wealth, the share of one's income allocated to the payment of property taxes tends to decline with wealth. In other words, the increases are not necessarily proportionate. As a result, wealthier consumers contribute more property tax dollars, but poorer residents contribute a higher share of their income to property tax payments. With regard to businesses, greater profitability does not necessarily equate to greater property ownership, although in many instances that is the case. As such, a business with relatively less property but relatively high profitability would pay a smaller share of its income in property tax payments than would a less profitable, but property intensive company.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 6

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Expansion of the Property Tax, Raising Cap from $3.64 to $5.00 Constitutional Maximum

---

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities and the fact that the burdens are calculated and billed by each County's Assessor's office.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in other jurisdictions.

Evaluation Score (1-10): 4

Comments:

Raising Nevada's property tax cap to $5.00 would make Nevada's property taxes some of the highest in the nation, particularly with regard to residential real estate in rural areas.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 2

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Comments:

Administration of the tax is considered reasonable. That having been said, the amount of work that goes into the calculating, processing and collection property taxes are higher than other revenue sources.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to property taxes. We note that property taxes vary from region to region; however, it is not likely that the types of personal and real property subject to this levy would be physically located in an alternative jurisdiction in an effort to profit from a lower assessment rate.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 6

Comments:

Increasing property taxes have the potential to impact individual and business investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform. Property tax rates do vary from region to region, however, its application is generally uniform. The depreciation factor does result in some variation in application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Revising and Expanding the Property Tax Such that Residential Property Would be Taxed at the Current Rates and Commercial and Industrial Property Would be Taxed at the Constitutional Maximum of $5.00

REVENUE:	Revising and Expanding the Property Tax Such that Residential Property Would be Taxed at the Current Rates and Commercial and Industrial Property Would be Taxed at the Constitutional Maximum of $5.00.
GENERAL ANALYSIS CATEGORY:	Sources Cited for Review
SUBCATEGORIZATION:	Property Taxes

GENERAL INFORMATION

Description:	Same as property tax, however, rate is split so commercial property pays the constitutional maximum of $5.00 per $100 of assessed value and residential property pays the current rate of $3.64 per $100 of assessed value. Property tax in general: taxable value for land is full cash value; for improved land. Cash value is based on actual use; for improvements, value is replacement cost less depreciation at 1.5 percent per year up to 50 years. Assessment is 35 percent of taxable value.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 361; Nevada Constitution Article 10, Section 1		
Rate and Application:	Residential taxable property taxed at current court average rate ($3.04 per $100 of assessed value) and non-residential property taxed at ($5.00 per $100 of assessed value).	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Real Property - governmental; religious, educational and some charitable organizations; partial exemption for the blind, surviving spouses, orphans, veterans. Limited deferral on agricultural land and apprentice training programs. Some abatements are also allowed. Personal Property - in addition to those previously noted, household furnishings, boats, inventory, goods in transit (Freeport), raw materials used in manufacturing, electric generation using renewable energy resources; computer equipment donated to a foundation for use in schools; art work valued at $25,000 or more on public display, consumable business supplies. Also some abatements provided for economic development and apprentice training programs.	Collection Procedure:	Real and secured personal property: assessed July 1; placed on tax roll in December; taxes payable in four installments, 3rd Monday of August, and 1st Monday of October, January and March. Unsecured property: assessed between May 1 and April 30; taxes due on notice, except mobile homes and business personal property may be paid in four installments if certain conditions are met.
Requirements to Change:	Legislature has authority to increase rates within the $5.00 Constitutional limit. Any increase would require a 2/3-majority approval in both houses of the Legislature. A change in the $5.00 Constitutional limit would require an	Statutory Limitations:	Maximum rate limited by Constitution to $5 per $100 assessed value. Statutes lower the limit to a total combined tax rate of $3.64. Under limited emergency circumstances, the rate may exceed $3.64. Further, local governments, other than

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Revising and Expanding the Property Tax Such that Residential Property Would be Taxed at the Current Rates and Commercial and Industrial Property Would be Taxed at the Constitutional Maximum of $5.00

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	amendment to the Constitution.		schools, are limited in the total amount of revenue which can be received from property tax. Revenue overrides may be approved by voters or Legislature. Legislature has authority to increase within Constitutional constraints,

ECONOMICS

Total Revenue (2001):	$300,695,453	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $300,695,453	Forecast Determinates:	Construction Activity & Real Property Value Appreciation
		Dependence on Growth:	High. Due primarily to the existing depreci
Generating Ability:	$5,117,207	Elasticity Calculations:	
Per:	$0.01 (one cent) increase in the property tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Adjusts automatically for inflation based on property appreciation/depreciation over time (e.g., changes in replacement cost, which is an arms length retail transaction). Note that property is automatically depreciated at 1.5 percent each year.		

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Revising and Expanding the Property Tax Such that Residential Property Would be Taxed at the Current Rates and Commercial and Industrial Property Would be Taxed at the Constitutional Maximum of $5.00

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 8

Comments:

Given the information available and assumptions cited, source is expected to generate more than $250 million but less then $500 million annually. It is among the highest generating revenue sources in the state and is considered relatively productive.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Property tax burdens are easily calculable, and they are based on the generally accepted approach of generating public revenues from the state's personal and real property value. We note that splitting the tax role may add an additional level of complexity.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Residentially, horizontally equitable. Non-residentially, moderately equitable. Two households owning or using the same amount of real or personal property would be expected to pay the same amount of property tax (either directly or through built in rent premiums). We note, however, that the relationship between corporate revenue and real or personal property assets, while direct, is not necessarily one-to-one. As such, two firms with the same revenue may very well have quite different property tax obligations (c.f. a manufacturing firm and a finance company).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Property taxes are relatively predictable due to the relative stability in property values, population and employment growth, and inflation.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 9

Comments:

Relatively stable, with a general growth trend. While economic history has shown that property taxes are susceptible to strong economic downturns, they are among the most stable sources of revenue because the scarce nature of property tends to result in a maintenance or appreciation of value.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Comments:

Moderately, vertically equitable. While the amount of property owned tends to increase with wealth, the share of one's income allocated to the payment of property taxes tends to decline with wealth. In other words, the increases are not necessarily proportionate. As a result, wealthier consumers contribute more property tax dollars, but poorer residents contribute a higher share of their income to property tax payments. With regard to businesses, greater profitability does not necessarily equate to greater property ownership, although in many instances that is the case. As such, a business with relatively less property but relatively high profitability would pay a smaller share of its income in property tax payments than would a less profitable, but property intensive company.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 6

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Revising and Expanding the Property Tax Such that Residential Property Would be Taxed at the Current Rates and Commercial and Industrial Property Would be Taxed at the Constitutional Maximum of $5.00

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities and the fact that the burdens are calculated and billed by each County's Assessor's office.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is quite competitive with other jurisdictions.

Evaluation Score (1-10): 8

Comments:

Nevada's property taxes are generally among the lowest in the country. This is particularly true among commercial property, which ranks 49th among the 50 states in effective rate. An increase to $5.00, however, would likely put Nevada above the national average.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 2

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Comments:

Administration of the tax is considered reasonable. That having been said, the amount of work that goes into the calculating, processing and collection property taxes are higher than other revenue sources.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to property taxes. We note that property taxes vary from region to region; however, it is not likely that the types of personal and real property subject to this levy would be physically located in an alternative jurisdiction in an effort to profit from a lower assessment rate.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

Increasing property taxes have the potential to impact individual and business investment decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 8

Comments:

Generally uniform. Property tax rates do vary from region to region, however, its application is generally uniform. The depreciation factor does result in some variation in application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Elimination of the Property Tax Depreciation Rate

REVENUE: Elimination of the Property Tax Depreciation Rate
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Property Taxes

GENERAL INFORMATION

Description:	Same as property tax, however, the depreciation factor is eliminated. Property tax in general: taxable value for land is full cash value; for improved land. Cash value is based on actual use; for improvements, value is replacement cost less depreciation at 1.5 percent per year up to 50 years (italics removed). Assessment is 35 percent of taxable value.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 361; Nevada Constitution Article 10, Section 1		
Rate and Application:	Current county average rate of (3.04 per $100 of assessed value) remains, but depreciation factor of 1.5 percent for 50 years is removed.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Real Property - governmental; religious, educational and some charitable organizations; partial exemption for the blind, surviving spouses, orphans, veterans. Limited deferral on agricultural land and apprentice training programs. Some abatements are also allowed. Personal Property - in addition to those previously noted, household furnishings, boats, inventory, goods in transit (Freeport), raw materials used in manufacturing, electric generation using renewable energy resources; computer equipment donated to a foundation for use in schools; art work valued at $25,000 or more on public display, consumable business supplies. Also some abatements provided for economic development and apprentice training programs.	Collection Procedure:	Real and secured personal property: assessed July 1; placed on tax roll in December; taxes payable in four installments, 3rd Monday of August, and 1st Monday of October, January and March. Unsecured property: assessed between May 1 and April 30; taxes due on notice, except mobile homes and business personal property may be paid in four installments if certain conditions are met.
Requirements to Change:	Legislature has authority to increase rates within the $5.00 Constitutional limit. Any increase would require a 2/3-majority approval in both houses of the Legislature. A change in the $5.00 Constitutional limit would require an amendment to the Constitution.	Statutory Limitations:	Maximum rate limited by Constitution to $5 per $100 assessed value. Statutes lower the limit to a total combined tax rate of $3.64. Under limited emergency circumstances, the rate may exceed $3.64. Further, local governments, other than schools, are limited in the total amount of revenue which can be received from property tax. Revenue overrides may be approved by voters or Legislature. Legislature has authority to increase within Constitutional constraints,

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Elimination of the Property Tax Depreciation Rate

ECONOMICS

Total Revenue (2001):		Growth Rate (91-01):	n/a
Allocation Breakdown:	n/a	Forecast Determinates:	Construction Activity & Real Property Value Appreciation
		Dependence on Growth:	High. Due primarily to the existing depreci
Generating Ability:	$5,117,207	Elasticity Calculations:	
Per:	$0.01 (one cent) increase in the property tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Adjusts automatically for inflation based on property appreciation/depreciation over time (e.g., changes in replacement cost, which is an arms length retail transaction). Note that property is automatically depreciated at 1.5 percent each year.		

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Elimination of the Property Tax Depreciation Rate

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 6

Comments:

Source would generate more than $30 million but less than $100 million annually. At this level, it would be moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 9

Comments:

Relatively transparent. Property tax burdens are easily calculable, and they are based on the generally accepted approach of generating public revenues from the states personal and real property value.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Residentially, horizontally equitable. Non-residentially, moderately equitable. Two households owning or using the same amount of real or personal property would be expected to pay the same amount of property tax (either directly or through built in rent premiums). We note, however, that the relationship between corporate revenue and real or personal property assets, while direct, is not necessarily one-to-one. As such, two firms with the same revenue may very well have quite different property tax obligations (c.f. a manufacturing firm and a finance company).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities and the

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Property taxes are relatively predictable due to the relative stability in property values, population and employment growth, and inflation.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 9

Comments:

Relatively stable, with a general growth trend. While economic history has shown that property taxes are susceptible to strong economic downturns, they are among the most stable sources of revenue because the scarce nature of property tends to result in a maintenance or appreciation of value.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately equitable (vertically).

Evaluation Score (1-10): 7

Comments:

Moderately, vertically equitable. While the amount of property owned tends to increase with wealth, the share of one's income allocated to the payment of property taxes tends to decline with wealth. In other words, the increases are not necessarily proportionate. As a result, wealthier consumers contribute more property tax dollars, but poorer residents contribute a higher share of their income to property tax payments. With regard to businesses, greater profitability does not necessarily equate to greater property ownership, although in many instances that is the case. As such, a business with relatively less property but relatively high profitability would pay a smaller share of its income in property tax payments than would a less profitable, but property intensive company.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 6

Comments:

Administration of the tax is considered reasonable. That having been said, the amount of work that goes into the calculating, processing

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

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fact that the burdens are calculated and billed by each County's Assessor's office.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is relatively competitive.

Evaluation Score (1-10): 7

Comments:

No other state depreciates improvements prior to the calculating of property taxes. The elimination of the depreciation factor would serve to put Nevada's property tax levies closer to national and regional averages.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 2

Comments:

Generally, not exportable.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

and collection property taxes are higher than other revenue sources.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

Generally, there are no intrastate competitive factors relating to property taxes. We note that property taxes vary from region to region; however, it is not likely that the types of personal and real property subject to this levy would be physically located in an alternative jurisdiction in an effort to profit from a lower assessment rate.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

Nevada's use of a depreciation factor determining the assessed value of property may incentivize some individuals and businesses to hold on to older properties as opposed to investing in new real estate. Eliminating the depreciation factor would inevitably impact how people view some real property investments; however, this would eliminate the economic neutrality issue that exists rather than creating a new one.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 9

Comments:

Generally uniform. Property tax rates do vary from region to region, however, its application is generally uniform. Eliminating the depreciation rate would increase the uniformity of the tax by eliminating some a core variable that has substantial impact on the effective rates paid by property owners.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Elimination of the Property Tax Depreciation Rate

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

EXHIBIT 6C: REVIEW OF PROPOSED REVENUE SOURCES
GENERAL INFORMATION, ECONOMIC ELEMENTS, AND QAULITATIVE CONSIDERATIONS (1)
EXPANSION OF THE STATE RETAIL SALES AND USE TAX TO INCLUDE ALL SERVICES

REVENUE: Expansion of the State Retail Sales and Use Tax to Include All Services
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Sales and Use Taxes

GENERAL INFORMATION

Description:	Same as the existing retail sales and use tax except the tax base is expanded to include all services. Retail sales and use tax in general: Imposed on the retail sale of tangible personal property purchased for use or consumption including "mail orders." Also imposed on equipment leases and rentals.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 397		
Rate and Application:	2 percent of taxable sale or taxable use of tangible personal property. Taxable sales include all services..	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Sales to governmental, religious, charitable or educational organizations; motor vehicle and domestic fuel; some animal life, feed, seed, plants, fertilizers; containers; newspapers; prescription drugs/prosthetic devices; occasional sales; utilities; meals sold to students and teachers at school functions; food for home consumption; aircraft and major components of aircraft; and 40 percent of the value of new and all of the value of used mobile and manufactured homes.	Collection Procedure:	Retailers must report and remit collections for each month on or before the last day of the succeeding month. Accounts with taxable sales of less than $10,000 per month may report quarterly. A collection allowance of 1.25 percent is allowed to reimburse retailers for collection and timely filing.
Requirements to Change:	Any substantive change to the state's retail sales and use tax will require constitutional amendment.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$1,462,935,520	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $1,462,935,520	Forecast Determinates:	Population, Visitation, Income, & Consumer Confidence
		Dependence on Growth:	Moderate
Generating Ability:	$182,866,940	Elasticity Calculations:	
Per:	per .25 percent increase in the tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

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changes in inflation and other market forces.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Expansion of the State Retail Sales and Use Tax to Include All Services

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Highly productive.

Evaluation Score (1-10): 10

Comments:

Combined revenue, given the information available and assumptions cited,, source is expected to generate more than $2 billion annually. They are the most robust sources of revenue in Nevada.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. While the sales and use taxes are generally straightforward, the full spectrum of their applications is sometimes misunderstood by both residents and businesses. As such, firms and/or individuals may improperly calculate their respective burdens or be unaware of their liability. The tax is also tailored to social desirability through exemptions to regressive expenditure categories.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two average consumers would tend to generate the same level of tax revenue under the existing structure.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and nexus with normal business activities. We note, however, that there is often a misunderstanding about who should pay retail sales and use taxes and when they should be remitted. While the tax is relatively easy to comply with, many individuals and companies may not understand that their purchases or sales are subject to the

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 9

Comments:

Highly predictable because its based on all consumption.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 8

Comments:

Sales and use taxes fluctuate with the economy; however, because they are generally tied to the demand for taxable goods and services they tend to fluctuate less than sources tied to profitability. The current revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was only 6 percent between FY 1991 and FY 2001. We would anticipate this rate of variation to drop even lower if the tax was placed of all service producing industries.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 2

Comments:

Generally, retail sales and use taxes are thought to be regressive. By expanding the tax base to include all services producing industries, lower income consumer units would undoubtedly pay a higher a higher share of their earning in taxes than would those with higher income.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

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levy and what is specifically required of them.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in other jurisdictions.

Evaluation Score (1-10): 4

Comments:

Nevada generates a higher percentage of its public revenues from retail sales and use tax than do other states (52.6 percent vs. 32.3 percent). Nevada's statewide rate of approximately 6.5 percent is roughly 2 percentage points higher than the national average. By expanding the base to include all services, the base would include items such as food for home consumption, prescription drugs, and medical care. These are items that are general exempt in other areas.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-local residents and businesses.

Evaluation Score (1-10): 7

Comments:

Spending by visitors generate a significant share of taxable retail sales. To that extent, the tax is highly exportable.

*****

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

The state retail sales and use tax is not generally competitive with the other local sales and uses levies within the state. Consumers' ability to "shop rates" is limited, so competition among jurisdictions is minimal.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Some impacts on economic decision making

Evaluation Score (1-10): 5

Comments:

A sales tax that is broadened to include all retail sales and services is effectively very similar to a gross receipts tax. While the "burden" is theoretically placed on the consumer in the latter, pricing structures would likely adjust to reflect the price elasticity of demand for goods and services. This burden passing is not always simple or one dimensional. Inflation within the supply chain, prior to retail transactions, can cause pricing structures to be materially altered. Additionally, there are some industries with more "fixed" pricing that are unable to pass thought the tax, at least for some time. As such, businesses generally prefer a "transaction tax" to a gross receipts tax. Both taxes will effect purchasing decisions; however, a broad-based retail sales and use tax would likely be generate less of an impact on economic decision-making.

*****

Consideration: **Uniformity**

Evaluation Summary: Relatively uniform.

Evaluation Score (1-10): 9

Comments:

In its application, Nevada's retail sales and use tax is generally uniform. However, as currently designed the tax itself captures less than one-third of total retail activity reported by Nevada businesses. In that sense, the tax is narrow and lacking broad uniformity. Expanding the tax base to include all services producing industry would substantially increase the uniformity of the tax.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Expansion of the State Retail Sales and Use Tax to Include All Services

---

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Expansion of Retail Sales and Use Tax to Include Admissions and Amusements Expenditures

---

REVENUE: Expansion of Retail Sales and Use Tax to Include Admissions and Amusements Expenditures

GENERAL ANALYSIS CATEGORY: Sources Cited for Review

SUBCATEGORIZATION: Sales and Use Taxes

GENERAL INFORMATION

Description:	Same as the existing retail sales and use tax except the tax base is expanded to included admissions and amusements expenditures. Retail sales and use tax in general: Imposed on the retail sale of tangible personal property purchased for use or consumption including "mail orders." Also imposed on equipment leases and rentals.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 397		
Rate and Application:	2 percent of taxable sale or taxable use of tangible personal property. Taxable sales include admissions and amusements expenditures.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Sales to governmental, religious, charitable or educational organizations; motor vehicle and domestic fuel; some animal life, feed, seed, plants, fertilizers; containers; newspapers; prescription drugs/prosthetic devices; occasional sales; utilities; meals sold to students and teachers at school functions; food for home consumption; aircraft and major components of aircraft; and 40 percent of the value of new and all of the value of used mobile and manufactured homes.	Collection Procedure:	Retailers must report and remit collections for each month on or before the last day of the succeeding month. Accounts with taxable sales of less than $10,000 per month may report quarterly. A collection allowance of 1.25 percent is allowed to reimburse retailers for collection and timely filing.
Requirements to Change:	Any substantive change to the state's retail sales and use tax will require constitutional amendment.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$36,000,000	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $36,000,000	Forecast Determinates:	Population, Visitation, Income, & Consumer Confidence
		Dependence on Growth:	Moderate
Generating Ability:	$4,500,000	Elasticity Calculations:	
Per:	per .25 percent increase in the tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Expansion of Retail Sales and Use Tax to Include Admissions and Amusements Expenditures

---

Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)

Expansion of Retail Sales and Use Tax to Include Admissions and Amusements Expenditures

---

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 9

Comments:

Combined revenue, given the information available and assumptions cited,, source is expected to generate more than $2 billion annually. They are the most robust sources of revenue in Nevada.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. While the sales and use taxes are generally straightforward, the full spectrum of their applications is sometimes misunderstood by both residents and businesses. As such, firms and/or individuals may improperly calculate their respective burdens or be unaware of their liability. The tax is also tailored to social desirability through exemptions to regressive expenditure categories.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two average consumers would tend to generate the same level of tax revenue under the existing structure.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and nexus with normal business activities. We note, however, that there is often a misunderstanding about who should pay retail sales and use taxes and when they should be remitted. While the

Consideration: **Predictability**

Evaluation Summary: Relatively predictable.

Evaluation Score (1-10): 8

Comments:

Highly predictable because its based on all consumption.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 8

Comments:

Sales and use taxes fluctuate with the economy; however, because they are generally tied to the demand for taxable goods and services they tend to fluctuate less than sources tied to profitability. The current revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was only 6 percent between FY 1991 and FY 2001. We do not believe that expanding the source to include admissions and amusements expenditures would materially alter its stability.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Moderately inequitable (vertically).

Evaluation Score (1-10): 5

Comments:

Generally, retail sales and use taxes are thought to be regressive. Nevada's use of exemptions, particularly for food at home, services, and prescription drugs limits this nature considerably. Removing admissions and amusements expenditures from the list of exempted items may increase the vertical equity, as there is some evidence that wealthier consumers spend a higher share of their total expenditures on admissions and amusements than do lower income consumers.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 7

Comments:

Administration of the tax is considered reasonable.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

---

tax is relatively easy to comply with, many individuals and companies may not understand that their purchases or sales are subject to the levy and what is specifically required of them.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is relatively competitive.

Evaluation Score (1-10): 7

Comments:

Approximately 37 states currently tax admissions and amusement. The majority do so by making these expenditures subject to state and local sales tax levies.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-local residents and businesses.

Evaluation Score (1-10): 7

Comments:

Spending by visitors generate a significant share of taxable retail sales. To that extent, the tax is highly exportable.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

The state retail sales and use tax is not generally competitive with the other local sales and uses levies within the state. Consumers' ability to "shop rates" is limited, so competition among jurisdictions is minimal.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Few if any impacts on economic decision making.

Evaluation Score (1-10): 8

Comments:

There is no indication that retail sales and use taxes are materially altering businesses' decisions or other consumer/economic activity. An expansion that would include admissions and amusements would not be expected to significantly alter economic decision-making.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

In its application, Nevada's retail sales and use tax is generally uniform. However, as currently designed the tax itself captures less than one-third of total retail activity reported by Nevada businesses. In that sense, the tax is narrow and lacking broad uniformity. Expanding the tax base to include admissions and amusements expenditures increase the uniformity of the tax.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

EXHIBIT 6C: REVIEW OF PROPOSED REVENUE SOURCES
GENERAL INFORMATION, ECONOMIC ELEMENTS, AND QAULITATIVE CONSIDERATIONS (1)
CREATION OF A STATE ADMISSIONS AND AMUSEMENT TRANSACTION TAX

REVENUE: Creation of a State Admissions and Amusement Transaction Tax
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Transaction Taxes

GENERAL INFORMATION

Description:	The transaction tax is added to the retail price of the admission or amusement purchase and is due at the time of sale. If the admission or amusement is provided free of charge as part of a promotional or marketing effort, the tax is due on the face value of the admission charge or amusement cost. Additionally, if any required entry purchase is levied in lieu of an admission or amusement charge, for example a two drink minimum, the purchase price of the required purchase or purchases is also subject to the transaction tax.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 397		
Rate and Application:	6.5 percent of taxable admission or amusement sale.	Distribution:	State General Fund
Exemptions:	Sales to governmental, religious, charitable or educational organizations; motor vehicle and domestic fuel; some animal life, feed, seed, plants, fertilizers; containers; newspapers; prescription drugs/prosthetic devices; occasional sales; utilities; meals sold to students and teachers at school functions; food for home consumption; aircraft and major components of aircraft; and 40 percent of the value of new and all of the value of used mobile and manufactured homes.	Collection Procedure:	Retailers must report and remit collections for each month on or before the last day of the succeeding month. Accounts with taxable sales of less than $10,000 per month may report quarterly. A collection allowance of 1.25 percent is allowed to reimburse retailers for collection and timely filing.
Requirements to Change:	Any substantive change to the state's retail sales and use tax will require constitutional amendment.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$117,000,000	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $117,000,000	Forecast Determinates:	Population, Visitation, Income, & Consumer Confidence
		Dependence on Growth:	Moderate
Generating Ability:	$4,500,000	Elasticity Calculations:	
Per:	per .25 percent increase in the tax rate.	Base: Gross State Product	n/a

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Creation of a State Admissions and Amusement Transaction Tax

	Base: Income	n/a
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.	

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Creation of a State Admissions and Amusement Transaction Tax

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Relatively productive.

Evaluation Score (1-10): 9

Comments:

Combined revenue, given the information available and assumptions cited,, source is expected to generate more than $2 billion annually. They are the most robust sources of revenue in Nevada.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

A transaction tax would be based on the value of the product and would be clearly visible to the consumer.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Two average consumers would tend to generate the same level of tax revenue under the proposed structure.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Moderately easy to comply.

Evaluation Score (1-10): 7

Comments:

Tax is considered relatively easy to comply with due to its standardization and nexus with normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Moderately predictable based on population, employment, visitation and spending patterns. Transaction taxes tend to move with the population growth and economic stability. The taxes somewhat narrow base may make it somewhat less predictable as entertainment and amusement expenditures will almost certainly fluctuate with the economy.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 6

Comments:

Transaction taxes fluctuate with the economy; however, because they are generally tied to the demand for specific services they tend to fluctuate less than sources tied to profitability. The taxes narrow base will decrease its overall predictability. Admissions and amusement spending will likely fluctuate with the state's economic cycles.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally, transaction taxes are thought to be regressive. However, an analysis of amusement and admissions spending suggests that spending in this area actually increases with wealth. In this sense, the levy would be progressive.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Moderately easy to administer.

Evaluation Score (1-10): 7

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

---

relatively competitive.

Evaluation Score (1-10): 7

Comments:

Approximately 37 states currently tax admissions and amusement. The majority do so by making these expenditures subject to state and local sales tax levies.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by non-local residents and businesses.

Evaluation Score (1-10): 7

Comments:

Spending by visitors generate a significant share of taxable retail sales. To that extent, the tax is highly exportable.

*****

Consideration: **Integration**

Evaluation Summary: Moderately easy to integrate.

Evaluation Score (1-10): 7

Comments:

Integration of a transaction tax should be relatively straightforward given the mix of existing levies.

jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Comments:

The state retail transaction tax is not generally competitive with the other local transactions levies within the state. Consumers' ability to "shop rates" is limited, so competition among jurisdictions is minimal.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 7

Comments:

All taxes impact economic decision making to some degree. A tax transaction tax directed specifically at amusements and admissions has the potential to decrease activities in those areas. That having been said, the broadness of the levy will reduce the number of substitute purchases, which may limit this impact.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

Transaction tax would apply to all admissions and amusement spending equally. Thus, it is expected to be relatively uniform.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Implementation of a Franchise Fees on Utilities

REVENUE: Implementation of a Franchise Fees on Utilities
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Utility Taxes

GENERAL INFORMATION

Description:	Tax levied on the rates charged to users of all privately operated utilities.	Status:	Proposed Sources - Addition
Legal Reference:	None. Source does not currently exists.		
Rate and Application:	n/a	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	n/a	Collection Procedure:	None. Source does not currently exists.
Requirements to Change:	n/a	Statutory Limitations:	n/a

ECONOMICS

Total Revenue (2001):		Growth Rate (91-01):	n/a
Allocation Breakdown:	n/a	Forecast Determinates:	n/a
		Dependence on Growth:	n/a
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	n/a		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Implementation of a Franchise Fees on Utilities

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately unproductive.

Evaluation Score (1-10): 4

Comments:

Highly dependent on the rate; however, spending on utilities subject to franchise fees could potentially produce significant revenues.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 8

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue for a depleatable resource.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 6

Comments:

Generally, horizontally equitable for individuals but horizontally inequitable for businesses. Two households with similar incomes would tend to have relatively similar utility purchases. For businesses, however, some businesses have higher utility costs. To that extent, horizontal equity is not achieved.

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy differs with other jurisdictions, but is relatively competitive.

Evaluation Score (1-10): 7

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

The predictable growth pattern of the state, and particularly Southern Nevada, has made this a relatively predictable source of revenue. However, it is highly dependent on growth and development, which suggests that it may become more challenging to predict in the future.

*****

Consideration: **Stability**

Evaluation Summary: Relatively stable.

Evaluation Score (1-10): 9

Comments:

Because spending on utilities is highly inelastic, franchise fees are generally highly stable.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively inequitable (vertically).

Evaluation Score (1-10): 3

Comments:

Spending on utilities decreases with wealth. As such, franchise fees on utilities are considered regressive, or vertically inequitable.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Limited competition among jurisdictions within the state.

Evaluation Score (1-10): 7

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Implementation of a Franchise Fees on Utilities

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Moderately flexible.

Evaluation Score (1-10): 7

Comments:

Would depend on how the rate was designed. Generally speaking, there is nothing that would require a strict use of franchise fees.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by local residents and businesses.

Evaluation Score (1-10): 3

Comments:

Generally, utilities spending costs are born by local businesses and residents. A number of Nevada's businesses are visitor-driven. The revenues generated by these business are indirectly exported.

*****

Consideration: **Integration**

Evaluation Summary: Moderately easy to integrate.

Evaluation Score (1-10): 7

Comments:

Because franchise are prevalent at the local level, integrating them into the state's revenue mix would be relatively simple.

Comments:

As currently proposed no intrastate competitive issues are noted.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 6

Comments:

The cost of utilities is a significant consideration in a businesses expansion or relocation decisions. Increases in the cost of utilities would likely impact business decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

If the tax was applied to all utilities, it would be relatively uniform. We note, however, that states have had challenges in parity between cable and satellite television providers.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Net Proceeds of Mines Tax

REVENUE: Doubling the Net Proceeds of Mines Tax
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Mining Taxes

GENERAL INFORMATION

Description:	Increasing the tax on the gross yield, less specified allowable deductions determines net proceeds.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 362 - Nevada Constitution Art. 10, Sec. 1		
Rate and Application:	Royalties taxed at 5 percent rate. Geothermal proceeds taxed at combined tax rate. The rate of tax upon each geographically separate operation depends upon the ratio of the net proceeds to gross proceeds of the operation as a whole. If the combined property tax rate is greater than 2 percent, the combined property tax rate is the minimum. If the net proceeds total $4 million, the rate is 10 percent. If less than $4 million: Less than 10 - 4.0 percent; 10 or more but less than 18 - 5.0 percent; 18 or more but less than 26 - 6.0 percent; 26 or more but less than 34 - 7.0 percent; 34 or more but less than 42 - 8.0 percent; 42 or more but less than 50 - 9.0 percent; 50 or more 10.0 percent.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	If $100 in development work was not performed on a patented mining claim, county or State Board of Equalization shall strike assessment from tax roll. No exemptions from net proceeds.	Collection Procedure:	Department of Taxation assesses and certifies net proceeds and collects and distributes tax. All operators and royalty recipients must report actual net proceeds annually.
Requirements to Change:	Legislature has authority to increase rates within the $5.00 Constitutional limit. Any increase would require a 2/3-majority approval in both houses of the Legislature. A change in the $5.00 Constitutional limit would require an amendment to the Constitution.	Statutory Limitations:	Constitutional Limit of 5 percents of the net proceeds. The rate of tax which varies from 2-5 percent of net proceeds, depending upon the percent that net proceeds are of gross proceeds. The legislature has the authority to increase rates within the Constitutional 5 percent limit.

ECONOMICS

Total Revenue (2001):	$29,846,138	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $29,846,138	Forecast Determinates:	Mining Employment
		Dependence on Growth:	Low
Generating Ability:	n/a	Elasticity Calculations:	
Per:	n/a	Base: Gross State Product	n/a

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Net Proceeds of Mines Tax

		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.		

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Net Proceeds of Mines Tax

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 5

Comments:

Given the information available and assumptions cited, source is expected to generate more than $10 million but less than $30 million annually. At this level, it would be moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Relatively transparent.

Evaluation Score (1-10): 9

Comments:

Relatively transparent. Burdens are clearly calculable, and the tax reflects social axiom of obtaining public revenue for a depleatable resource.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Moderately equitable (horizontally).

Evaluation Score (1-10): 7

Comments:

Generally, horizontally equitable. Businesses earning the same amount of revenue generally incur the same level of taxation. Again, in a broad sense equity is not achieved as non-mining business earning equal revenues pay no similar taxes (some expectations noted) .

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in other jurisdictions.

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 7

Comments:

Mining tax projections are general based on production and the market for precious metals. Its trend, while declining and generally linear has escalated in recent years, maxing predicting annual collecting quite challenging.

*****

Consideration: **Stability**

Evaluation Summary: Moderately unstable.

Evaluation Score (1-10): 5

Comments:

Moderately unstable due to its dependence on the world market for mined precious metals. On a per capita, inflation adjusted basis, this source has been declining since the mid-1980s. The revenue source's inflation adjusted per capita standard deviation as a percentage of the per capita average was 43 percent between FY 1991 and FY 2001.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally equitable. Because the tax is based on gross receipts, businesses generating more revenue will tend to pay more in taxes. This assumes, of course, that operating margins are consistent.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Net Proceeds of Mines Tax

Evaluation Score (1-10): 4

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Moderate share of source generated by local residents and businesses.

Evaluation Score (1-10): 5

Comments:

The price of gold is set by a world market. As such, the tax is largely paid by the supplier as opposed to the consumer and little if any of the tax liability is exported.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Evaluation Score (1-10): 9

Comments:

Because mining taxes are returned to their point of origin and/or used by the general fund, there is little intrastate competitiveness regarding these revenues.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Some impacts on economic decision making

Evaluation Score (1-10): 5

Comments:

Some have suggested that increases in the net proceeds of mines tax could lead to severe economic consequences for the industry, including mine closures and layoffs for some of Nevada's highest paid employees. The gross proceeds of mines are $2.5 billion annually, with net proceeds of more than $500 million annually. The price of gold is set by a world market, which undoubtedly creates challenges for the industry. However, as profitability wanes so does the revenue generated from this depleatable resource.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 6

Comments:

Broadly speaking, the tax is not uniform because it is a gross receipts business tax that applies only to a specific industry (mining). Within that sector, however, the tax is uniformly applied.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Short-Term Car Rental Fee

REVENUE: Doubling the Short-Term Car Rental Fee
GENERAL ANALYSIS CATEGORY: Sources Cited for Review
SUBCATEGORIZATION: Other Taxes and Fees

GENERAL INFORMATION

Description:	Doubling of the taxes levied on the short term rental of automobiles in the state of Nevada.	Status:	Proposed Sources - Expansion
Legal Reference:	NRS 482.313		
Rate and Application:	Rate of 6 percent of the total amount for which the passenger car was leased is increased to 12 percent.	Distribution:	All Additional Revenues to the State General Fund
Exemptions:	Leases to governmental entities.	Collection Procedure:	Tax due each calendar quarter and payable by the last day of the month following each calendar quarter, effective January 1, 2002. Note: Currently, the short-term lessor withholds an amount equal to the amount of vehicle licensing fees and taxes paid during the preceding year. The entire 6 percent governmental services fees collected will go to the State General Fund, less a recovery surcharge not to exceed 3.5 percent.
Requirements to Change:	Legislature has the authority to increase rate. Any increase would require a 2/3-majority in both houses of the Legislature. Additionally, the legislature may with a simple majority (50+1) put the question to a vote of the people.	Statutory Limitations:	The Nevada Legislature has the authority to change the rate. There is no Constitutional prohibition/limitation to increase. Passage of any increase would require 2/3-majority.

ECONOMICS

Total Revenue (2001):	$8,288,217	Growth Rate (91-01):	n/a
Allocation Breakdown:	State General Fund $8,288,217	Forecast Determinates:	Tourist Visitation
		Dependence on Growth:	Low
Generating Ability:	$345,342	Elasticity Calculations:	
Per:	0.25 percent (quarter percent) increase in the tax rate.	Base: Gross State Product	n/a
		Base: Income	n/a
Inflation Adjustment:	Percentage fee based on free market transaction value. Automatically reflects changes in inflation and other market forces.		

Note:
This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Short-Term Car Rental Fee

QUALITATIVE CONSIDERATIONS

Consideration: **Revenue Generation**

Evaluation Summary: Moderately productive.

Evaluation Score (1-10): 5

Comments:

Given the information available and assumptions cited, source is expected to generate more than $10 million but less than $30 million annually. At this level, it would be moderately productive when compared to the balance of sources reviewed.

*****

Consideration: **Transparency**

Evaluation Summary: Moderately transparent.

Evaluation Score (1-10): 7

Comments:

Moderately transparent. Individuals burdens are easily calculable, however, the tax is largely a pass through to non-resident consumers. To some, it may merely appear as a relatively high rental car rate.

*****

Consideration: **Horizontal Equity**

Evaluation Summary: Relatively equitable (horizontally).

Evaluation Score (1-10): 8

Comments:

Generally, horizontally equitable. Because the tax is based on a percentage rate, two consumers renting the same car would be expected to pay the same level of taxes. Any differences would largely be associated with personal preferences (i.e., tastes).

*****

Consideration: **Ease of Compliance**

Evaluation Summary: Relatively easy to comply.

Evaluation Score (1-10): 8

Comments:

Tax is considered relatively easy to comply with due to its standardization and connection to normal business activities.

*****

Consideration: **Interstate Competitiveness**

Evaluation Summary: Levy is moderately higher or lower than in other jurisdictions.

Evaluation Score (1-10): 5

Consideration: **Predictability**

Evaluation Summary: Moderately predictable.

Evaluation Score (1-10): 6

Comments:

Fee is relatively predictable based on visitor volume statistics.

*****

Consideration: **Stability**

Evaluation Summary: Moderately stable.

Evaluation Score (1-10): 7

Comments:

The source in and of itself is relatively stable. Like gaming taxes, however, its base is narrow, being directly dependent on the health of the gaming and tourism markets.

*****

Consideration: **Vertical Equity**

Evaluation Summary: Relatively equitable (vertically).

Evaluation Score (1-10): 8

Comments:

Generally, vertically equitable. The incidences of rental car activities tends to rise with wealth (as does travel). As such, a wealthier consumer would be expected to contribute a higher relative share of their disposable income to rental car taxes than would a less wealthy consumer.

*****

Consideration: **Ease of Administration**

Evaluation Summary: Relatively easy to administer.

Evaluation Score (1-10): 8

Comments:

Administration of the tax is considered reasonable.

*****

Consideration: **Intrastate Competitiveness**

Evaluation Summary: Some indirect competition among jurisdictions within the state may exist.

Evaluation Score (1-10): 9

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.

Exhibit 6C: Review of Proposed Revenue Sources
General Information, Economic Elements, and Qaulitative Considerations (1)
Doubling the Short-Term Car Rental Fee

Comments:

Competitive information was not readily available, and no data was presented to suggest that Nevada's tax was significantly higher or lower than other jurisdiction. More analysis would be needed to more completely address this revenue source.

*****

Consideration: **Flexibility**

Evaluation Summary: Relatively flexible.

Evaluation Score (1-10): 9

Comments:

Tax has few limitations on its use. As such, it is considered highly flexible.

*****

Consideration: **Exportability**

Evaluation Summary: Relatively high share of source generated by non-local residents and businesses.

Evaluation Score (1-10): 9

Comments:

Spending by visitors supports a significant share of the state's car rental sales. To that extent, the tax is highly exportable.

*****

Consideration: **Integration**

Evaluation Summary: Relatively easy to integrate.

Evaluation Score (1-10): 8

Comments:

Being that this is an expansion as opposed to an addition, integration into the existing system should be relative straightforward.

Comments:

Generally, there are no intrastate competitive factors relating to short-term car rental fees.

*****

Consideration: **Economic Neutrality**

Evaluation Summary: Limited impacts on economic decision making.

Evaluation Score (1-10): 6

Comments:

As the length of stay increases for visitors to Nevada, a rental vehicle becomes a more "desirable" amenity. The vast majority of this tax is paid by the renter, and at the higher price level consumers will likely substitute the rental of higher priced cars with lower priced cars or demand a lower quantity. An in-depth study of the price elasticity of demand would be necessary to know how a doubling of the fees would likely impact consumer decisions.

*****

Consideration: **Uniformity**

Evaluation Summary: Moderately uniform.

Evaluation Score (1-10): 7

Comments:

Generally uniform in application.

Note:

This analysis was used as a collection and analysis tool by the task force. As such some of the data reported may be incomplete or inconsistent with other sections of this study.