

LEGISLATIVE REPORT

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THROUGH MAY 18, 2011 FOR ADOPTED AMENDMENTS

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NOTES:

- Page sequence continues from last issue.
- Unless otherwise identified, the effective default date is October 1, 2011
- To access bills go to www.leg.state.nv.us - "session information."

TAXES

NOTE: *The first two bills under this heading are considered the major tax bills of this session, and have been the subject of hearings in the Tax and Revenue Committees since introduction. Assembly bill 569 is new tax and was introduced on May 11. Amendment number 6801 proposed for SB 491 on May 10 creates a new business tax.*

AB 569 – Transaction Tax on Services -- Requires 2/3 Majority

Introduced by Assembly Ways and Means Committee; referred to Assembly Committee on Taxation. (BDR 32-1290)
Fiscal Effect: Yes, on State, not yet available.

Provides for the imposition of a Transaction Tax on Services at a rate of 1 percent. It is imposed upon each person who uses or consumes a service in Nevada. The tax, which is collected by the business, is paid by the consumer, based upon the purchase price for the service. The administration and compliance provisions track the existing sales and use tax. The sunset of 0.35 percent in the Local School Support tax (LSST) portion of the sales and use tax is extended until June 30, 2012; and this extension of the increase expires July 1, 2012.

The provisions of the bill specify that any service is subject to the tax, except those services that are exempt or are excluded from the definition of "purchase price." Services not subject to the tax were identified as: Services that may not be taxed under state or federal law; Services provided by or to a governmental entity; Services provided by or to a 501(c)3 nonprofit organization; Day care services provided outside of the home of the child; Health care services, as defined in Section 7 of the bill; Services provided by a facility for intermediate care, facility for skilled nursing, or a residential facility for groups; Funeral, burial, cremation, or interment services for dead persons; The cost of preparation or publication of obituaries for dead persons; Services related to the delivery of natural gas, electricity, or water through mains, lines, or pipes; Basic landline telephone service; Internet access service; Services for the collection, treatment or disposal of waste materials; and any service subject to Sales and Use Tax, Live Entertainment Tax, or Fees for bouts or exhibitions of unarmed combat.

Section 10 of the bill, which defines purchase price for the purpose of calculating the Transactions Tax on Services, excludes the following activities from this definition (and, therefore, from the tax itself): The amount of any rent charged for the rental or lease of any transient lodging or other real or personal property; the amount of any bet or wager made in the course of any lottery, game, or other gaming or gambling activity regulated by the State Gaming Control Board; or the amount of any direct premiums or considerations charged for insurance. Section 10 also excludes cash discounts allowed by the service provider that are taken by the purchaser and the amount of the Transactions Tax itself from the purchase price that is subject to the tax.

NTA Position: None at this time.

SB 491 – Proposed Amendment 6801 – Margins Tax - NEWLY REPORTED - Requires 2/3 Majority

Introduced by Senate Committee on Revenue and referred to same. (BDR 31-1150)

Fiscal Effect: Yes, on State not yet available.

Deletes the provisions of the existing bill and replaces it with the amendment, which provides a Nevada Margin Tax similar to the Texas Margin Tax. The tax would be imposed at a rate of 0.8 percent on the taxable margin of a business, effective July 1, 2012. The tax would apply to those businesses whose total revenue exceeds \$1 million per year. Businesses under the threshold, sole proprietorships, general partnerships owned directly by natural persons and 501 (c)(3) non profits would not be subject to the tax.

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SB 491 – Proposed Amendment 6801 – Margins Tax, Continued

The tax is computed by determining an entity's total revenue, which is then used to calculate the entity's margin; the lesser of total revenue minus the cost of goods sold, or the cost of compensation paid (up to \$300,000 per employee), or 70 percent of the total revenue. For multi-state businesses there is an apportionment formula to determine Nevada income. Other provisions deal with administration and compliance.

There is also a provision that would require businesses to do informational reporting for the period prior to the implementation of the tax. The Modified Business Tax (MBT) tiered increase that was scheduled to sunset June 30, 2011, is extended. The MBT on general business and financial institutions is completely repealed on July 1, 2013. The State Business License Fee of \$200 is made permanent at that rate.

Note: If amended as proposed, the bill is 105 pages long.

NTA Position: None at this time.

The following previously reported bills have been amended:

AB 376 - Tax Increment: Tourism Improvement District Financing (Issue 10, page 76)

The amended bill prescribes procedure for selection of subcontractors by contractors or developers for a TID project, rather than leaving the approach to be set by each municipality. Prohibits financing of certain fees and costs (e.g. legal fees) by a municipality for districts created on or after July 1, 2011. Changes the annual reporting requirements to require the Department of Taxation to submit semiannual reports to the Legislature on businesses within the TID.

NTA Position: Support continued.

AB 505 - Tax Expenditure Report (Issue 12, page 91)

Amends the original provisions for biennial reports to the Legislature by the Department of Administration on the fiscal impact of tax expenditures to add "to the extent that the pertinent information is available" and now also requires the report to explain what information is not available and why.

NTA Position: Support as amended.

FEES

AJR 1 - Property Tax Depreciation (Issue 1, page 9)

Amends this proposed Constitutional amendment so the Legislature, rather than county assessors, provides the calculation approach for improvements to real property upon such transfers, sales or other conveyances as the Legislature deems appropriate.

STATE GOVERNMENT

AB 242 - Quasi-Public Organization Reporting (Issue 7, page 52)

Amends to require quasi-public organizations, which receive money from a state agency to post certain information on their websites, including the organization's mission/purpose statement, board member names and terms and the organization's most recent annual report or summary report. Any report the organization is required to submit to the state agency providing the funds must also be submitted to the Director of the Legislature Counsel Bureau.

NTA Position: Support continued.

AB 248 - Performance Budgeting (Issue 7, page 53)

Amends to clarify provisions regarding classifications to be used in the proposed budget and removes the requirement for an overall statement of Executive Department financial policy for budget period. Allows public hearing on budget by agency prior to a legislative session.

NTA Position: Support continued.

AB 276 - State Controller: Public Information (Issue 8, page 62)

Amends the provisions of the bill to specify accounts that must be included on the Controller's public information website and revises provisions covering the scope of information that must be provided on each account. Changes the effective date to July 1, 2012 from July 1, 2011.

NTA Position: Support continued.

AB 404 - Management of State Properties (Issue 10, page 85)

Amends the provisions to require the Chief of Buildings and Grounds to negotiate and oversee all office space leases on behalf of state entities and for all State entities to report to the Chief an inventory of all real property leased to the State for inclusion on the Buildings and Grounds website listing of properties leased and owned by the State.

NTA Position: Support continued.

AB 406 - ~~Sunset Advisory Committee~~ Internal Audits (Issue 10, page 85)

Changes the application of the bill to audits of state agencies, authorizing the Division of Internal Audits to conduct audits or investigations of executive branch agencies according to an annual plan submitted to and approved by the Executive Branch Audit Committee. Final reports on these audits are submitted to the Committee. The Governor is authorized to direct that audits or investigations be conducted without approval of the Committee and reports on those audits are to be submitted only to the Governor. The effective date is July 1, 2011.

NTA Position: Support continued.

AB 474 - Sunset Subcommittee of Legislative Commission (Issue 13, page 106)

Amends the makeup of the proposed Subcommittee to specify that the 3 members each appointed by the Senate Majority Leader and Speaker of the Assembly are to be legislators and that all members of the Subcommittee serve at the pleasure of the appointing authority. The first set of recommendations from the Subcommittee is to be made on or before June 30, 2012 and subsequent recommendations by June 30 of each even-numbered year thereafter.

NTA Position: Support continued.

STUDIES

AB 61 - Committee to Study Substance Abuse (Issue 2, page 20)

This amendment imposes a sunset of June 30, 2015 on the Substance Abuse Working Committee.

NTA Position: Concern removed with addition of sunset.

GENERAL INTEREST

Redistricting Plans

To review any of the redistricting plans that have been submitted, go to the Nevada Legislature website: <http://www.leg.state.nv.us> and select the "Reapportionment & Redistricting" box on the left side of the screen.

Bills Vetoed by the Governor

AB 183 - Reserve Account for School District Bonds (Issue 5, page 11). Vetoed on April 4, 2011.

This bill would have lowered the required minimums for school bond reserve funds.

AB 586 - School Funding for the 2011-2013 Biennium. Vetoed on May 16, 2011.

This bill, increasing funding for K-12 public education, was introduced on May 10, 2011. Declared an emergency measure under the Constitution, it passed both houses and was sent to the Governor that same day.

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