

TAX TOPICS

*A publication of the Nevada Taxpayers Association
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NEVADA TAX COMMISSION WELCOMES TWO NEW AND ONE REAPPOINTED COMMISSIONERS

In November 2017, Governor Sandoval appointed two new commissioners to the Nevada Tax Commission. Sharon Rigby of Elko was appointed to the commission as the mining industry member. Sharon has more than 30 years of experience in the mining industry as well as taxation. Joining Sharon on the commission in November is Randy Brown. Randy is the Director of External and Regulatory Affairs for AT&T. Randy is responsible for the regulatory, legislative, governmental, and community affairs for the telecommunications company. Along with these new appointments, Governor Sandoval has reappointed George Kelesis to the Nevada Tax Commission. George was first appointed commissioner in 2000 by Governor Guinn. We congratulate the three of you.

The Nevada Tax Commission consists of eight members appointed by the Governor, with one being designated to serve as the Chair of the Commission. Per NRS 360, of these eight positions, five commissioners must have at least 10 years of experience in real property, utility business, agriculture and livestock business, finance, and mining. The remaining commissioners must be versed in other areas of property taxation and must be efficiently experienced in business generally to be able to bring knowledge and sound judgement to the Nevada Tax Commission.

UNEMPLOYMENT COMPENSATION LAW: CHANGE IN BOND ASSESSMENTS

The Unemployment Compensation Law requires employers to make contributions to the Unemployment Compensation Fund for the purpose of providing temporary benefits to persons who become involuntarily unemployed (NRS 612).

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The system was established to protect workers by paying benefits during periods of involuntary unemployment and aid the business community by stabilizing the available work force. It is funded through payroll taxes on employers. Employers that pay wages for employment in Nevada of \$225 or more during a calendar quarter must register with the Employment Security Division (ESD) and pay taxes on those wages. New businesses pay Unemployment Insurance (UI) taxes at a rate of 2.95 percent of taxable wages until they are eligible for “experience rating”. Once an employer becomes eligible for experience rating, they will receive one of 18 UI tax rates, ranging from 0.25 percent to 5.40 percent of taxable wages. There is an additional tax of .05 percent of taxable wages for the Career Enhancement Program (CEP) (NRS 612.606). Each employer’s tax rate may vary from year to year, depending on previous experience with unemployment and the rate schedule in effect (Employer Handbook).

Nevada uses the “Reserve Ratio” formula to determine previous experience, which is the method used by a majority of states. ESD maintains a permanent “Experience Record” for each employer, consisting of accumulated taxes paid, accumulated benefits charged to their account, and average taxable payroll for the prior three years (Employer Handbook). Each year, the employer’s reserve ratio is calculated from their experience record to determine their tax rate under the schedule in effect. Generally, the higher the reserve ratio, the lower the employer’s tax rate will be. For example, if an employer has paid \$10,000 in contributions and charged \$6,000 in benefits while averaging \$40,000 in taxable payroll for the prior 3 years, the reserve ratio will be 10 percent.

<p style="text-align: center;"><u>Reserve Ratio Formula</u></p> <p style="text-align: center;"><u>CONTRIBUTIONS PAID - BENEFITS CHARGED</u> <u>AVERAGE TAXABLE PAYROLL, PRIOR 3 YEARS</u></p> <p style="text-align: center;">=</p> <p style="text-align: center;">RESERVE RATIO</p> <p style="text-align: center;">Example</p> <p style="text-align: center;">$\frac{\\$ 10,000 - \\$ 6,000}{\\$ 40,000} = .10, \text{ or } 10.0\% \text{ Reserve Ratio}$</p>
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Since the reserve ratio is at least 7.3 percent, this employer’s UI tax rate would be 0.25 percent. UI tax rates are determined using the following table set by NRS 612.550,

Reserve Ratio		Tax Rate
At Least but Less than (Percent)	(Percent)	(Percent)
.....	-15.2	5.40
- 15.2	..... -13.8	5.05
- 13.8	..... -12.4	4.75
- 12.4	..... -11.0	4.45
- 11.0	..... - 9.6	4.15
- 9.6	..... - 8.2	3.85
- 8.2	..... - 6.8	3.55
- 6.8	..... - 5.4	3.25
- 5.4	..... - 4.0	2.95
- 4.0	..... - 2.6	2.65
- 2.6	..... - 1.2	2.35
- 1.2	..... 0.2	2.05
0.2	..... 1.6	1.75
1.6	..... 3.0	1.45
3.0	..... 4.4	1.15
4.4	..... 5.8	0.85
5.8	..... 7.2	0.55
7.2	.....	0.25

In 2010, the State of Nevada borrowed \$800 million from the federal government to pay unemployment insurance benefits. There were approximately 140,000 unemployment insurance claims totaling approximately \$45 million a week. To repay the loans, Nevada issued bonds. In order to repay the bonds, all contributory employers, in addition to paying UI taxes, must also pay quarterly bond contributions in accordance with NRS 612.6102 – 612.6134. The quarterly bond contributions were then added to the UI rate. The following table shows the historical tax rates starting with 2013.

Historical Tax Rates						
Year	2013	2014	2015	2016	2017	2018
Average Tax Rate	2.25%	1.95%	2.00%	1.95%	1.95%	1.95%
Average Bond Assessment	-----	0.63%	0.56%	0.62%	0.63%	-----
CEP Rate	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Total Cost to Employers	2.30%	2.63%	2.61%	2.62%	2.63%	2.00%
Average Cost Per Employee at Taxable Wage Base	\$618.70	\$720.62	\$725.58	\$738.84	\$775.85	\$610.00

As one can see, starting in 2014, the average bond assessment per employer was 0.63 percent. While this may not seem like a large percentage, this could potentially add an additional \$200 per employee, per quarter. On December 7, 2018 the Employment Security Division announced the federal loans had been paid off, so the bond assessments would no longer be part of the UI rate.

Below is an example of 2018 and how the tax payments would look if the bond contributions were still part of the equation.

Historical Tax Rates		
Year	2018	2018
Average Tax Rate	1.95%	1.95%
Average Bond Assessment	0.63%	0.00%
CEP Rate	0.05%	0.05%
Total Cost to Employers	2.63%	2.00%
Average Cost Per Employee at Taxable Wage Base	\$802.15	\$610.00

As one can see, removing the average bond assessment saves this company \$192.15 per employee, per quarter. For a company with 10 employees, removing the bond assessment will save them \$7,686 a year. This is good news for Nevada businesses.

2018 NEVADA ELECTIONS

Elections for State Senate and Assembly will take place in November 2018. The candidate filing deadline is March 16, 2018. A closed primary election will be held on June 12, 2018. There are a total of 11 seats out of the Senate chamber's 21 that are up for election. Nevada State Senators serve staggered 4 year terms with half of the Senate up for election every 2 years. All 42 Assembly seats are up for election. Nevada Assembly members serve two year terms with all seats up for election every two years.

In the 2016 elections, Democrats won control of the Senate from Republicans. The Democrats held a majority in the Senate of 11-10 after the elections. Shortly after the election, Patricia Farley changed her party affiliation from Republican to Independent in order to caucus with the Democrats. This brought the majority to 11-9 for Democrats. Of the 11 seats that are up for election, Trump won 5 of those districts, and Clinton won 6 in the 2016 election. Republicans hold 6 seats of the 11 seats up for election, Democrats hold 4, and 1 seat is held by an Independent.

Much like the State Senate, Democrats won control of the State Assembly from Republicans in 2016. Democrats gained 10 seats, and prior to the 2016 election Republicans held a 24-17 majority with one Libertarian member. After the 2016 elections, Democrats controlled the Assembly 27-15. Clinton defeated President Trump in 25 of 42 Assembly districts during the 2016 Presidential election.

Petitions

The deadline to submit to the County Clerk or Registrar of Voters for signature verification a petition to have any statute or resolution enacted by the Legislature submitted to a referendum vote of the people is June 19, 2018. This is also the deadline to submit a petition proposing an amendment to the Nevada Constitution. A referendum seeks to approve or disapprove an existing state or local law. All statewide referendum petitions must be filed with the Secretary of State's office prior to circulating. There must be 112,544 valid signatures to qualify a petition. Of those 112,544 signatures, 28,136, must be collected in each of Petition Districts 1, 2, 3, and 4. If the law subject to the referendum is approved by the voters, the law remains as is and cannot be changed in the future except by a direct vote of the people. If the law subject to the referendum is disapproved, the law becomes void and of no effect.

ODDS AND ENDS

Steady Growth

The Federation of Tax Administrators' monthly revenue report shows total tax collections grew at a median rate of 3.0 percent over last year with 39 states reporting in October. The total growth rate was 3.2 percent and 3.6 percent during the past 12 and 3 months, respectively. Withholding and sales taxes were steady at 3.1 percent and 3.0 percent. Meanwhile, corporate income tax collections grew at a median rate of 6.6 percent during the past 3 months.

Mileage Rates

The IRS has released the standard mileage rates for 2018. The standard rate will be 54.5 cents for every mile of business travel driven, up 1 cent from the 2017 rate.

States General Fund Spending

The National Association of State Budget Officers (NASBO) released their Fall 2017 *Fiscal Survey of States* in early December. One interesting finding includes a projection that state general fund spending will increase 2.3 percent in FY18, the lowest spending increase since FY10. General Fund revenues grew at 2.3 percent in FY17, collections came in under estimate in 27 states and there were 22 states that cut their budgets by \$3.5 billion in the middle of FY17.

Nevada Taxpayers Association's 96th Annual Meeting and Luncheon

Wednesday, February 28, 2018 at the Excalibur Hotel/Casino, Las Vegas, Nevada

The event includes:

- Keynote address by **Kerry Bubolz, President of the Vegas Golden Knights**
- Presentation of the **20th Annual Cashman Good Government Award**

Table Sponsorship Opportunities are now available

Gold **\$5,000**

- A reserved table of ten (10) for NTA member and your guests
- Priority assignment of table location
- Placement of your company logo in our program

Silver **\$2,500**

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- Display of your company name in our program

To accommodate printing deadlines, you must reserve your table by **Friday, February 2, 2018.**

Contact Cindy Creighton at (702) 457-8442 or info@nevadataxpayers.org to reserve your table today.

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