

# REVENUE REFERENCE MANUAL



**FISCAL ANALYSIS DIVISION  
JANUARY 2005**

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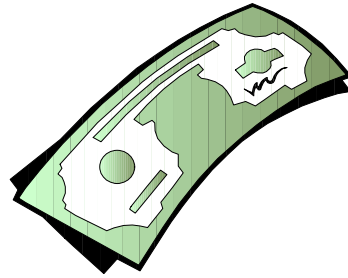
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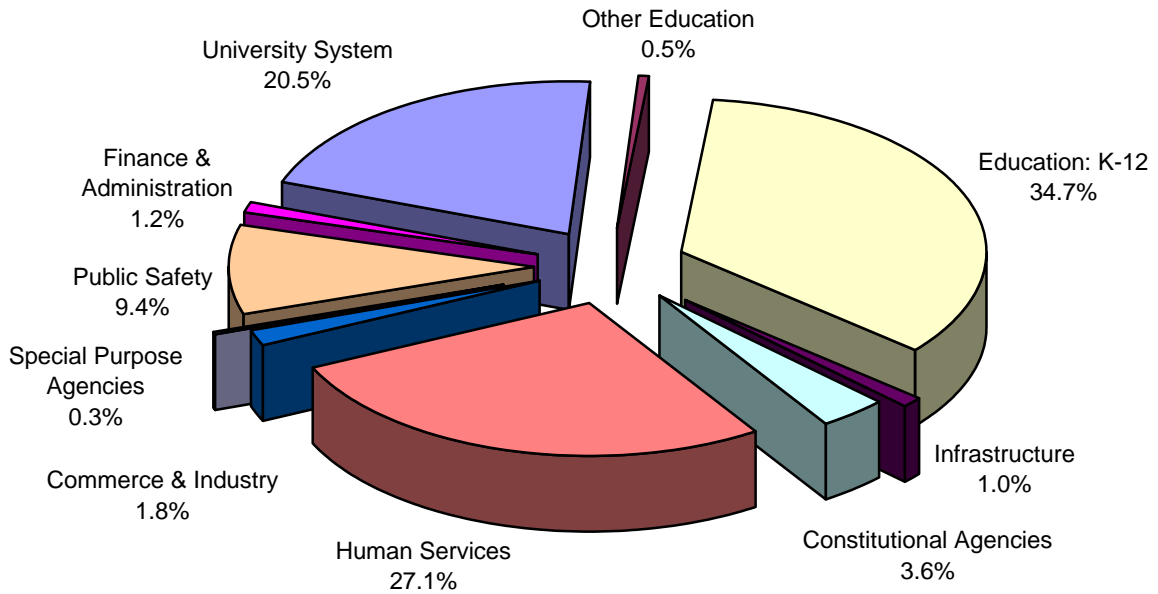
# I. APPROPRIATIONS AND REVENUE CHARTS



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# NEVADA GENERAL FUND APPROPRIATIONS

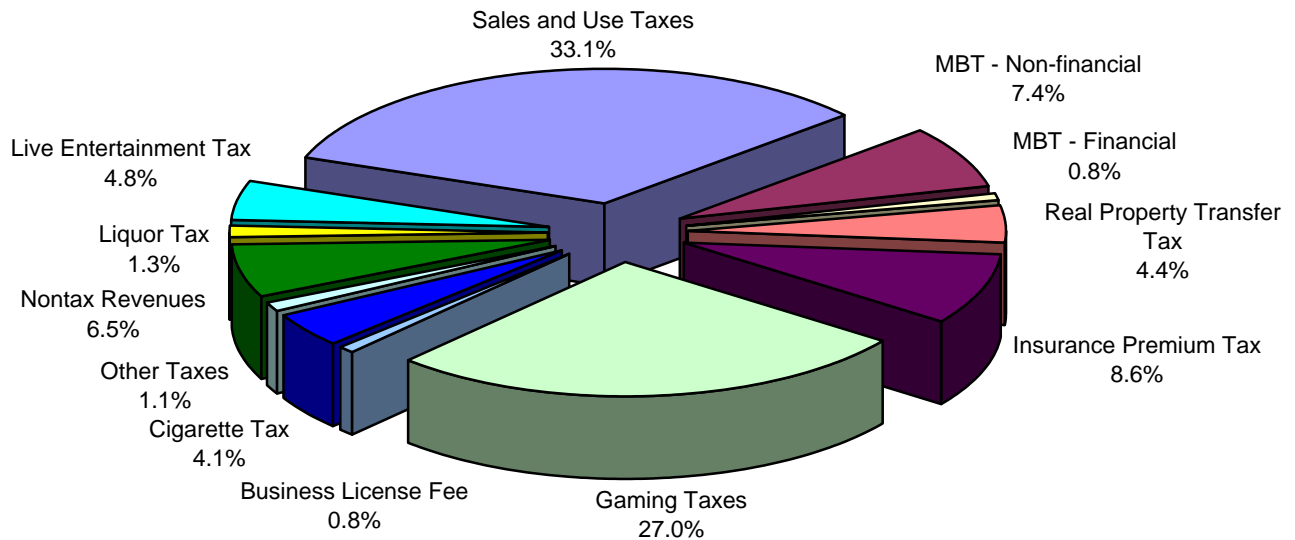
## LEGISLATURE APPROVED, 2003-05 BIENNIUM



### LEGISLATURE APPROVED APPROPRIATIONS - 2003-05 BIENNIUM

	<u>FY 2004</u>	<u>FY 2005</u>	<u>Total</u>	<u>% of TOTAL</u>
Constitutional Agencies	\$ 87,668,617	\$ 88,250,359	\$ 175,918,976	3.6%
Finance & Administration	\$ 25,295,891	\$ 30,387,563	\$ 55,683,454	1.2%
Education:				
University System	\$ 482,655,305	\$ 506,746,590	\$ 989,401,895	20.5%
Kindergarten to 12th Grade	\$ 769,974,591	\$ 906,608,356	\$ 1,676,582,947	34.7%
Other Education	\$ 13,189,362	\$ 12,464,960	\$ 25,654,322	0.5%
Subtotal Education	\$ 1,265,819,258	\$ 1,425,819,906	\$ 2,691,639,164	55.7%
Human Services	\$ 629,224,586	\$ 682,521,764	\$ 1,311,746,350	27.1%
Commerce & Industry	\$ 42,734,818	\$ 42,591,015	\$ 85,325,833	1.8%
Public Safety	\$ 221,047,364	\$ 231,630,570	\$ 452,677,934	9.4%
Infrastructure	\$ 25,160,142	\$ 24,519,963	\$ 49,680,105	1.0%
Special Purpose Agencies	\$ 6,125,228	\$ 6,070,404	\$ 12,195,632	0.3%
<b>Total</b>	<b>\$ 2,303,075,904</b>	<b>\$ 2,531,791,544</b>	<b>\$ 4,834,867,448</b>	<b>100.0%</b>

# NEVADA GENERAL FUND REVENUE ECONOMIC FORUM FORECAST, 2005-07 BIENNIUM



## ESTIMATED GENERAL FUND REVENUE - 2005-07 BIENNIUM ECONOMIC FORUM DECEMBER 1, 2004 FORECAST

	Millions \$'s	% of Total		Millions \$'s	% of Total
State Gaming Taxes	\$1,555.4	27.0%	Other Taxes:		
Sales and Use Taxes	\$1,906.9	33.1%	Mining Tax	\$34.4	0.5%
Insurance Premium Tax	\$493.0	8.6%	Annual Slot Tax Transfer	\$10.0	0.2%
Cigarette Tax	\$235.2	4.1%	Tobacco & Other Taxes	\$15.9	0.3%
Live Entertainment Tax (a)			Branch Bank Excise Tax (a)	\$6.2	0.1%
Gaming Establishments	\$255.6	4.4%	<b>Subtotal Other Taxes</b>	<b>\$66.4</b>	<b>1.1%</b>
Non-Gaming Establishments	\$18.5	0.3%	<b>Subtotal Taxes</b>	<b>\$5,382.7</b>	<b>93.5%</b>
Modified Business Tax (MBT) (a)			<b>Nontax Revenues</b>		
Non-Financial Institutions	\$427.4	7.4%	Licenses	\$220.9	3.8%
Financial Institutions	\$47.0	0.8%	Fees and Fines	\$71.9	1.2%
Real Property Transfer Tax (a)	\$254.7	4.4%	Use of Money and Property	\$25.7	0.4%
Business License Fee (a)	\$48.0	0.8%	Miscellaneous Revenues	\$55.5	1.0%
Liquor Tax	\$74.6	1.3%	<b>Subtotal Nontax Revenues</b>	<b>\$374.1</b>	<b>6.5%</b>
			<b>Total General Fund</b>	<b>\$5,756.8</b>	<b>100.0%</b>

(a) New state taxes approved by the 2003 Legislature (A.B. 4 and S.B. 8 - 20th Special Session)

**GENERAL FUND REVENUES - ECONOMIC FORUM DECEMBER 1, 2004 FORECAST**  
**ACTUAL: FY 2001 THROUGH FY 2004 AND FORECAST: FY 2005 THROUGH FY 2007**

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GL NO.	DESCRIPTION	FY 2001 ACTUAL	% Change	FY 2002 ACTUAL	% Change	FY 2003 ACTUAL	% Change	FY 2004 ACTUAL [a.]	% Change	DECEMBER 1, 2004 ECONOMIC FORUM FORECAST									
										FY 2005	% Change	FY 2006	% Change	FY 2007	% Change				
	<b>TAXES</b>																		
	PROPERTY/MINE																		
3064	Net Proceeds of Minerals	\$14,649,597	9.3%	\$9,364,000	-36.1%	\$10,566,386	12.8%	\$16,776,579	58.8%	\$17,106,000	2.0%	\$17,046,000	-0.4%	\$17,244,000	1.2%				
3241	Net Proceeds Penalty	\$7,618		\$43,728		\$54,390		\$7,980		\$20,000	150.6%	\$20,000		\$20,000					
3245	Centrally Assessed Penalties	\$15,478	-44.8%	\$10,280	-33.6%	\$20,323	97.7%	\$33,367	64.2%	\$20,000	-40.1%	\$20,000		\$20,000					
	TOTAL PROPERTY/MINE TAX	\$14,672,692	9.1%	\$9,418,008	-35.8%	\$10,641,100	13.0%	\$16,817,927	58.0%	\$17,146,000	2.0%	\$17,086,000	-0.3%	\$17,284,000	1.2%				
	SALES AND USE																		
3001	Sales & Use Tax [1-FY04]	\$633,574,193	5.9%	\$642,726,771	1.4%	\$680,447,243	5.9%	\$775,255,133	13.9%	\$856,330,000	10.5%	\$907,710,000	6.0%	\$962,173,000	6.0%				
3002	State Share - LSST [1-FY04]	\$5,290,145	5.0%	\$5,352,168	1.2%	\$5,669,418	5.9%	\$6,453,198	13.8%	\$7,128,000	10.5%	\$7,556,000	6.0%	\$8,009,000	6.0%				
3003	State Share - BCCRT [1-FY04]	\$1,175,747	5.0%	\$1,189,477	1.2%	\$1,259,954	5.9%	\$1,434,452	13.8%	\$1,584,000	10.4%	\$1,679,000	6.0%	\$1,780,000	6.0%				
3004	State Share - SCCRT [1-FY04]	\$4,114,794	5.0%	\$4,162,827	1.2%	\$4,409,514	5.9%	\$5,018,800	13.8%	\$5,544,000	10.5%	\$5,877,000	6.0%	\$6,230,000	6.0%				
3005	State Share - PTT [1-FY04]	\$1,612,741	5.9%	\$1,637,237	1.5%	\$1,742,695	6.4%	\$2,441,084	40.1%	\$2,696,000	10.4%	\$2,858,000	6.0%	\$3,029,000	6.0%				
	TOTAL SALES AND USE	\$645,767,621	5.9%	\$655,068,480	1.4%	\$693,528,823	5.9%	\$790,602,667	14.0%	\$873,282,000	10.5%	\$925,680,000	6.0%	\$981,221,000	6.0%				
	GAMING - STATE																		
3032	Pari-mutuel Tax	\$3,609	76.4%	\$2,912	-19.3%	\$2,638	-9.4%	\$2,643	0.2%	\$3,200	21.1%	\$3,200		\$3,200					
3181	Racing Fees	\$14,347	97.0%	\$8,174	-43.0%	\$9,556	16.9%	\$9,140	-4.4%	\$9,500	3.9%	\$9,500		\$9,500					
3247	Racing Fines/Forfeitures	\$1,400	55.6%	\$600	-57.1%	\$1,275	112.5%	\$2,950	131.4%	\$2,000	-32.2%	\$2,000		\$2,000					
3041	Percent Fees - Gross Revenue [2-FY04]	\$564,990,960	0.8%	\$554,639,216	-1.8%	\$559,466,414	0.9%	\$677,021,604	21.0%	\$683,247,000	0.9%	\$719,804,000	5.4%	\$756,560,000	5.1%				
3042	Gaming Penalties	\$1,179,652	6.4%	\$556,923	-52.8%	\$5,686,706	921.1%	\$2,231,883	-60.8%	\$4,000,000	79.2%	\$1,500,000	-62.5%	\$1,500,000					
3043	Flat Fees-Restricted Slots [3-FY04]	\$6,544,298	0.9%	\$6,719,870	2.7%	\$6,779,855	0.9%	\$9,227,712	36.1%	\$9,469,100	2.6%	\$9,719,000	2.6%	\$9,997,000	2.9%				
3044	Non-Restricted Slots	\$15,674,070	2.3%	\$15,498,440	-1.1%	\$15,130,090	-2.4%	\$14,899,080	-1.5%	\$14,721,000	-1.2%	\$14,791,000	0.5%	\$15,217,000	2.9%				
3045	Quarterly Fees-Games	\$7,297,760	0.7%	\$7,221,510	-1.0%	\$7,176,311	-0.6%	\$7,217,352	0.6%	\$7,300,000	1.1%	\$7,442,000	1.9%	\$7,555,000	1.5%				
3046	Advance License Fees	\$8,362,371	450.6%	\$4,769,961	-43.0%	\$1,623,136	-66.0%	\$3,649,564	124.8%	\$13,179,000	261.1%	\$4,996,000	-62.1%	\$5,460,000	9.3%				
3048	Slot Machine Route Operator	\$34,000	-1.4%	\$36,500	7.4%	\$36,000	-1.4%	\$36,500	1.4%	\$36,000	-1.4%	\$36,500	1.4%	\$36,500					
3049	Gaming Info Systems Annual	\$18,000		\$12,000		\$12,000		\$24,000		\$6,000	-75.0%	\$6,000		\$6,000					
3033	Equip Mfg. License	\$164,000	9.7%	\$167,000	1.8%	\$167,500	0.3%	\$178,500	6.6%	\$186,000	4.2%	\$192,500	3.5%	\$199,500	3.6%				
3034	Race Wire License	\$71,990	-0.1%	\$51,189	-28.9%	\$47,799	-6.6%	\$39,172	-18.0%	\$35,000	-10.7%	\$35,000		\$35,000					
3035	Annual Fees on Games	\$107,608	2.7%	\$119,516	11.1%	\$120,930	1.2%	\$113,573	-6.1%	\$120,500	6.1%	\$121,100	0.5%	\$121,100					
	TOTAL GAMING - STATE	\$604,464,065	2.0%	\$589,803,811	-2.4%	\$596,260,210	1.1%	\$714,653,673	19.9%	\$732,314,300	2.5%	\$758,657,800	3.6%	\$796,701,800	5.0%				



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										FY 2005	% Change	FY 2006	% Change	FY 2007	% Change
3031	Casino Entertainment Tax [4a-FY04]	\$63,919,196	9.2%	\$64,817,715	1.4%	\$70,212,815	8.3%	\$40,087,655	-42.9%						
3031	Live Entertainment Tax-Gaming [4b-FY04]							\$44,768,304		\$97,254,000	14.6%	\$122,108,000	25.6%	\$133,476,000	9.3%
3031	Live Entertainment Tax-Nongaming [4b-FY04]							\$4,345,868		\$8,700,000	100.2%	\$9,000,000	3.4%	\$9,500,000	5.6%
	Total Casino/Live Entertainment Tax	\$63,919,196	9.2%	\$64,817,715	1.4%	\$70,212,815	8.3%	\$89,201,827		\$105,954,000	18.8%	\$131,108,000	23.7%	\$142,976,000	9.1%
	INSURANCE TAXES														
3061	Insurance Premium Tax	\$146,917,892	13.6%	\$156,347,356	6.4%	\$173,992,622	11.3%	\$194,218,036	11.6%	\$212,889,000	9.6%	\$233,964,000	9.9%	\$256,937,000	9.8%
3062	Insurance Retaliatory Tax	\$7,140	41.9%	\$64,295	800.5%	\$21,528	-66.5%	\$9,895	-54.0%	\$30,000	203.2%	\$30,000		\$30,000	
3067	Captive Insurer Premium Tax			\$139,243		\$121,586		\$229,127		\$878,000	283.2%	\$986,000	12.3%	\$1,094,000	11.0%
	TOTAL INSURANCE TAXES	\$146,925,032	13.6%	\$156,550,893	6.6%	\$174,135,736	11.2%	\$194,457,058	11.7%	\$213,797,000	9.9%	\$234,980,000	9.9%	\$258,061,000	9.8%
3050	Liquor Tax [5-FY04]	\$15,745,514	0.5%	\$15,995,650	1.6%	\$16,531,358	3.3%	\$33,025,941	99.8%	\$35,865,000	8.6%	\$36,818,000	2.7%	\$37,771,000	2.6%
3050	Liquor Tax-13th Month														
3052	Cigarette Tax [6-FY04]	\$43,691,552	3.5%	\$41,843,892	-4.2%	\$44,019,969	5.2%	\$106,770,729	142.6%	\$117,600,000	10.1%	\$117,600,000		\$117,600,000	
3052	Cigarette Tax -13th Month														
3053	Other Tobacco Tax [7-FY04]	\$5,602,823	-6.0%	\$5,557,893	-0.8%	\$5,916,301	6.4%	\$6,927,276	17.1%	\$7,342,900	6.0%	\$7,746,800	5.5%	\$8,134,100	5.0%
3053	Other Tobacco Tax-13th Month														
3054	Jet Fuel Tax														
3058	Laetrie & Gerovital Mfg.	\$2,692													
4862	HECC Transfer	\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000	
3113	Business License Fee [8-FY04]	\$523,072	1.8%	\$680,845	30.2%	\$739,561	8.6%	\$11,851,752		\$18,000,000	51.9%	\$22,000,000	22.2%	\$26,000,000	18.2%
3065	Business License Tax [9-FY04]	\$77,270,722	1.8%	\$78,394,651	1.5%	\$79,026,132	0.8%	\$22,216,500	-71.9%	\$250,000	-98.9%				
	MODIFIED BUSINESS TAX														
3069	Modified Business Tax - Nonfinancial [10-FY04]							\$146,161,812		\$194,404,000	33.0%	\$207,152,000	6.6%	\$220,297,000	6.3%
3069	Modified Business Tax - Financial [11-FY04]							\$15,487,677		\$20,000,000	29.1%	\$22,000,000	10.0%	\$25,000,000	13.6%
	Total Modified Business Tax							\$161,649,489		\$214,404,000	32.6%	\$229,152,000	6.9%	\$245,297,000	7.0%
3068	Branch Bank Excise Tax [12-FY04]							\$1,508,192		\$3,024,000	100.5%	\$3,059,000	1.2%	\$3,094,000	1.1%
3055	Real Property Transfer Tax [13-FY04]							\$88,024,738		\$116,734,000	32.6%	\$121,279,000	3.9%	\$133,407,000	10.0%
	TOTAL TAXES	\$1,623,584,982	4.8%	\$1,623,131,839	0.0%	\$1,696,012,005	4.5%	\$2,242,707,768	32.2%	\$2,460,713,200	9.7%	\$2,610,166,600	6.1%	\$2,772,546,900	6.2%

**GENERAL FUND REVENUES - ECONOMIC FORUM DECEMBER 1, 2004 FORECAST**  
**ACTUAL: FY 2001 THROUGH FY 2004 AND FORECAST: FY 2005 THROUGH FY 2007**

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										Change	Change	Change	Change	Change	FY 2005	%	FY 2006	%	FY 2007	%
	<b>LICENSES</b>																			
3101	Insurance Licenses	\$6,889,858	6.2%	\$7,806,594	13.3%	\$10,076,143	29.1%	\$10,578,744	5.0%	\$11,128,800	5.2%	\$12,241,700	10.0%	\$12,878,300	5.2%					
3110	Banking Licenses [1-FY01][16-FY04]	\$23,785	35.7%	\$23,600	-0.8%	\$20,400	-13.6%													
3120	Marriage License	\$638,691	3.5%	\$587,774	-8.0%	\$587,712	0.0%	\$594,588	1.2%	\$609,800	2.6%	\$629,700	3.3%	\$645,300	2.5%					
	<b>SECRETARY OF STATE</b>																			
3105	UCC [1-FY02][14-FY04]	\$614,175	-3.6%	\$983,575	60.1%	\$996,219	1.3%	\$1,464,901	47.0%	\$1,470,000	0.3%	\$1,500,000	2.0%	\$1,530,000	2.0%					
3106	Las Vegas Commercial Filings [1-FY02][14-FY04]	\$2,715,041	6.3%	\$3,729,920	37.4%	\$4,154,329	11.4%	\$4,240,467	2.1%	\$4,240,000	0.0%	\$4,325,000	2.0%	\$4,412,000	2.0%					
3129	Notary Fees	\$441,795	-1.0%	\$460,623	4.3%	\$480,035	4.2%	\$534,276	11.3%	\$550,000	2.9%	\$566,000	2.9%	\$582,000	2.8%					
3130	Commercial Recordings [1-FY02][14-FY04]	\$23,058,170	0.9%	\$36,138,250	56.7%	\$39,909,761	10.4%	\$52,759,852	32.2%	\$59,659,000	13.1%	\$65,625,000	10.0%	\$72,188,000	10.0%					
3152	Securities [14-FY04]	\$9,613,025	9.9%	\$8,752,452	-9.0%	\$8,486,117	-3.0%	\$16,313,350	92.2%	\$17,200,000	5.4%	\$17,200,000		\$17,200,000						
	<b>TOTAL SECRETARY OF STATE</b>	<b>\$36,442,206</b>	<b>3.4%</b>	<b>\$50,064,820</b>	<b>37.4%</b>	<b>\$54,026,461</b>	<b>7.9%</b>	<b>\$75,312,846</b>	<b>39.4%</b>	<b>\$83,119,000</b>	<b>10.4%</b>	<b>\$89,216,000</b>	<b>7.3%</b>	<b>\$95,912,000</b>	<b>7.5%</b>					
3172	Private School Licenses	\$156,485	9.8%	\$181,009	15.7%	\$207,145	14.4%	\$251,705	21.5%	\$268,600	6.7%	\$288,900	7.6%	\$309,400	7.1%					
3173	Private Employment Agency	\$29,800	-5.4%	\$29,000	-2.7%	\$29,100	0.3%	\$26,000	-10.7%	\$13,800	-46.9%	\$13,800		\$13,800						
	<b>REAL ESTATE</b>																			
3143	Escrow Agent License [16-FY04]	\$8,375	32.1%	\$6,825	-18.5%	\$5,338	-21.8%													
3161	Real Estate License [2-FY02][15-FY04]	\$1,439,812	-4.6%	\$1,680,049	16.7%	\$1,540,340	-8.3%	\$2,642,500	71.6%	\$2,418,000	-8.5%	\$2,793,000	15.5%	\$2,556,000	-8.5%					
3162	Real Estate Fees	\$3,680	12.1%	\$3,860	4.9%	\$3,110	-19.4%	\$11,240	261.4%	\$11,000	-2.1%	\$11,000		\$11,000						
	<b>TOTAL REAL ESTATE</b>	<b>\$1,451,867</b>	<b>-4.4%</b>	<b>\$1,690,734</b>	<b>16.5%</b>	<b>\$1,548,788</b>	<b>-8.4%</b>	<b>\$2,653,740</b>	<b>71.3%</b>	<b>\$2,429,000</b>	<b>-8.5%</b>	<b>\$2,804,000</b>	<b>15.4%</b>	<b>\$2,567,000</b>	<b>-8.5%</b>					
	<b>FINANCIAL INSTITUTIONS</b>																			
3100	Credit Union Fees [1-FY01][16-FY04]	\$2,400	-14.7%	\$2,500	4.2%	\$2,400	-4.0%													
3114	Check Cashing/Deferred Deposit Reg Fee [16-FY04]	\$28,100		\$11,940		\$53,350														
3115	Trust Co License & Fees [16-FY04]	\$6,750	8.0%	\$7,500	11.1%	\$8,750	16.7%													
3116	Coll. Agency Lic & Fees [16-FY04]	\$17,439	9.8%	\$19,960	14.5%	\$21,220	6.3%													
3135	Dev Corp. License & Fees [16-FY04]	\$650	30.0%	\$500	-23.1%	\$500														
3163	Mortgage Co License & Fees [16-FY04]	\$272,662	-11.1%	\$291,921	7.1%	\$366,377	25.5%													
3164	Debt Adjuster License [16-FY04]	\$950	18.8%			\$600														
3174	Small Loan Co License & Fees [16-FY04]	\$127,906	19.5%	\$147,313	15.2%	\$160,060	8.7%													
3175	Money Order Co Lic & Fee [16-FY04]	\$6,316	4.1%	\$7,800	23.5%	\$8,300	6.4%													
3177	Thrift Co License & Fee [1-FY01][16-FY04]	\$1,000		\$3,000	200.0%	\$2,000														
3179	Financial Inst. Fees [1-FY01][16-FY04]	\$1,161,976	10.7%	\$1,302,727	12.1%	\$1,302,858	0.0%													
	<b>TOTAL FINANCIAL INSTITUTIONS</b>	<b>\$1,626,149</b>	<b>7.5%</b>	<b>\$1,795,162</b>	<b>10.4%</b>	<b>\$1,926,415</b>	<b>7.3%</b>													
3102	Athletic Commission Fees [5-FY02]	\$2,853,655	1.2%	\$1,706,730	-40.2%	\$1,901,357	11.4%	\$2,258,306	18.8%	\$1,700,000	-24.7%	\$1,700,000		\$1,700,000						
	<b>TOTAL LICENSES</b>	<b>\$50,112,496</b>	<b>3.6%</b>	<b>\$63,885,422</b>	<b>27.5%</b>	<b>\$70,323,520</b>	<b>10.1%</b>	<b>\$91,675,929</b>	<b>30.4%</b>	<b>\$99,269,000</b>	<b>8.3%</b>	<b>\$106,894,100</b>	<b>7.7%</b>	<b>\$114,025,800</b>	<b>6.7%</b>					

**GENERAL FUND REVENUES - ECONOMIC FORUM DECEMBER 1, 2004 FORECAST**  
**ACTUAL: FY 2001 THROUGH FY 2004 AND FORECAST: FY 2005 THROUGH FY 2007**

Economic Forum December 1, 2004 Meeting - 12/1/04 - 1:00 PM

GL NO.	DESCRIPTION	FY 2001 ACTUAL	% Change	FY 2002 ACTUAL	% Change	FY 2003 ACTUAL	% Change	FY 2004 ACTUAL [a.]	% Change	DECEMBER 1, 2004 ECONOMIC FORUM FORECAST					
										FY 2005	% Change	FY 2006	% Change	FY 2007	% Change
FEES AND FINES															
3200	Vital Statistics Fees [17-FY04]	\$534,243	2.1%	\$576,967	8.0%	\$647,213	12.2%	\$759,587	17.4%	\$784,700	3.3%	\$809,800	3.2%	\$834,100	3.0%
3203	Divorce Fees	\$203,454	1.4%	\$196,953	-3.2%	\$201,070	2.1%	\$205,535	2.2%	\$209,100	1.7%	\$215,000	2.8%	\$220,900	2.7%
3204	Civil Action Fees	\$1,215,362	2.0%	\$1,250,147	2.9%	\$1,322,518	5.8%	\$1,376,653	4.1%	\$1,423,000	3.4%	\$1,469,300	3.3%	\$1,515,700	3.2%
3242	Insurance Fines	\$537,507	-27.2%	\$719,183	33.8%	\$617,132	-14.2%	\$624,149	1.1%	\$624,100	0.0%	\$624,100		\$624,100	
REAL ESTATE FEES															
3165	Land Co Filing Fees	\$239,588	-16.9%	\$219,030	-8.6%	\$248,695	13.5%	\$306,728	23.3%	\$331,300	8.0%	\$357,800	8.0%	\$386,400	8.0%
3166	Land Co Reg Rep Filing Fees	\$17,925	-34.5%	\$31,570	76.1%	\$2,990	-90.5%	\$135	-95.5%	\$100	-25.9%	\$100		\$100	
3167	Real Estate Adver Fees	\$11,402	79.7%	\$13,220	15.9%	\$21,710	64.2%	\$25,490	17.4%	\$23,400	-8.2%	\$27,500	17.5%	\$25,300	-8.0%
3169	Real Estate Reg Fees	\$27,161	6.7%	\$30,685	13.0%	\$31,000	1.0%	\$54,610	76.2%	\$59,000	8.0%	\$63,700	8.0%	\$68,800	8.0%
4741	Real Estate Exam Fees [19-FY04]							\$483,495		\$522,200	8.0%	\$563,900	8.0%	\$609,100	8.0%
3171	CAM Certification Fee	\$2,537		\$6,189		\$6,960		\$10,659		\$7,500	-29.6%	\$11,500	53.3%	\$8,100	-29.6%
3178	Real Estate Accred Fees	\$26,210	77.3%	\$25,270	-3.6%	\$24,930	-1.3%	\$78,280	214.0%	\$78,400	0.2%	\$78,400		\$78,400	
3248	Manufactured Housing	\$650													
3254	Real Estate Penalties	\$35,205	-13.4%	\$35,420	0.6%	\$42,610	20.3%	\$71,405	67.6%	\$70,000	-2.0%	\$70,000		\$70,000	
3190	A.B. 165, Real Estate Inspectors	\$27,450	-1.1%	\$35,890	30.7%	\$57,520	60.3%	\$67,045	16.6%	\$62,100	-7.4%	\$72,400	16.6%	\$67,100	-7.3%
TOTAL REAL ESTATE FEES		\$388,128	-10.9%	\$397,274	2.4%	\$436,415	9.9%	\$1,097,847	151.6%	\$1,154,000	5.1%	\$1,245,300	7.9%	\$1,313,300	5.5%
3066	Short Term Car Lease [3-FY02]	\$8,288,217	0.2%	\$19,662,998	137.2%	\$22,208,165	12.9%	\$25,638,556	15.4%	\$27,177,000	6.0%	\$28,672,000	5.5%	\$30,105,000	5.0%
3103	Athletic Commission Licenses/Fines [5-FY02]			\$122,908		\$210,920		\$109,825		\$110,000	0.2%	\$110,000		\$110,000	
3180	Water Planning Fees [4-FY02]	\$21,069	31.6%												
3205	State Engineer Sales [4-FY02]	\$1,588,378	4.6%	\$1,572,066	-1.0%	\$1,590,428	1.2%	\$1,698,473	6.8%	\$1,532,000	-9.8%	\$1,532,000		\$1,532,000	
3206	Supreme Court Fees	\$204,075	-12.2%	\$207,830	1.8%	\$212,035	2.0%	\$219,042	3.3%	\$223,000	1.8%	\$227,000	1.8%	\$231,100	1.8%
3271	Misc Fines/Forfeitures	\$136,957	16.4%	\$172,541	26.0%	\$350,947	103.4%	\$261,421	-25.5%	\$250,200	-4.3%	\$261,200	4.4%	\$272,300	4.2%
TOTAL FEES AND FINES		\$13,117,391	-1.0%	\$24,878,868	89.7%	\$27,796,842	11.7%	\$31,991,088	15.1%	\$33,487,100	4.7%	\$35,165,700	5.0%	\$36,758,500	4.5%

**GENERAL FUND REVENUES - ECONOMIC FORUM DECEMBER 1, 2004 FORECAST**  
**ACTUAL: FY 2001 THROUGH FY 2004 AND FORECAST: FY 2005 THROUGH FY 2007**

Economic Forum December 1, 2004 Meeting - 12/1/04 - 1:00 PM

GL NO.	DESCRIPTION	FY 2001 ACTUAL	% Change	FY 2002 ACTUAL	% Change	FY 2003 ACTUAL	% Change	FY 2004 ACTUAL [a.]	% Change	DECEMBER 1, 2004 ECONOMIC FORUM FORECAST								
										FY 2005	% Change	FY 2006	% Change	FY 2007	% Change			
	USE OF MONEY AND PROP																	
4420	Lyon County Repayments	\$177,450																
	OTHER REPAYMENTS																	
4401	Higher Education Tuition Admin	\$25,000		\$25,000		\$1,868		\$25,000		\$25,000	4.8%	\$125,000	4.9%	\$175,000	4.9%			
4404	Bldg. and Grounds Repayments	\$97,421		\$97,421		\$97,421		\$97,421		\$97,421	0.0%	\$97,421	5.0%	\$97,421	2.4%			
4404	CIP 95-C14, Mailroom Remodel	\$21,122		\$21,122		\$21,122		\$21,122		\$21,122	0.0%	\$21,122	5.0%	\$21,122	2.4%			
4405	Prison Industry Repayment	\$5,000		\$5,000		\$25,000												
4407	Printing Repayment [8-FY02][18-FY04]	\$72,815																
4408	Comp/Fac Repayment [7-FY02]	\$23,744				\$47,488		\$23,744		\$23,744	0.0%	\$23,744	5.0%	\$23,744	2.4%			
4408	Comp/Fac - CIP 85-60																	
4408	CIP 89-11 Computer Facility																	
4408	CIP 95-M1, Security Alarm [7-FY02]	\$2,998				\$5,995		\$2,998		\$2,998	4.8%	\$2,998	4.9%	\$2,998	4.9%			
4408	CIP 95-M5, Facility Generator [7-FY02]	\$6,874				\$13,748		\$6,874		\$6,874	0.0%	\$6,874	5.0%	\$6,874	2.4%			
4408	CIP 95-S4F, Advance Planning	\$1,000		\$1,000		\$1,000		\$1,000		\$1,000	0.0%	\$1,000	5.0%	\$1,000	2.4%			
4408	CIP 97-C26, Capitol Complex Conduit System, Phase I [7-FY02]	\$63,500				\$127,000		\$62,542		\$62,542	0.0%	\$62,542	5.0%	\$62,542	2.4%			
4408	CIP 97-S4H, Advance Planning Addition to Computer Facility [7-FY02]	\$17,634				\$96,240		\$9,107		\$9,107	0.0%	\$9,107	5.0%	\$9,107	2.4%			
4408	S.B. 201, 1997; Cost of PBX System	\$249,967		\$249,967		\$249,967		\$249,967		\$249,967	0.0%	\$249,967	5.0%	\$249,967	2.4%			
4409	Motor Pool Repay - Carson	\$20,176		\$20,176		\$20,176		\$20,176		\$20,176	0.0%	\$20,176	5.0%	\$20,176	2.4%			
4409	Motor Pool Repay - Reno	\$24,385		\$24,385		\$24,385		\$24,385		\$24,385	0.0%	\$24,385	5.0%	\$24,385	2.4%			
4409	Motor Pool Repay - LV	\$6,638		\$6,638		\$6,638		\$6,638		\$6,638	0.0%	\$6,638	5.0%	\$6,638	2.4%			
	NEW Equal Rights Repayment (SB 387)																	
4410	Purchasing Repayment	\$13,925		\$14,562		\$15,237		\$15,957		\$16,722	4.8%	\$17,537	4.9%	\$18,404	4.9%			
4865	State Personnel IFS Repayment; S.B. 201, 1997 Legislature	\$466,667		\$466,667		\$1,651,991		\$1,441,807		\$1,441,807	0.0%	\$1,441,807	5.0%	\$1,441,807	2.4%			
	TOTAL OTHER REPAYMENTS	\$1,118,866	-2.4%	\$931,938	-16.7%	\$2,405,277	158.1%	\$2,008,738	-16.5%	\$2,009,503	0.0%	\$2,110,318	5.0%	\$2,161,185	2.4%			
4406	Marlette Repayment	\$10,483	65.4%	\$10,512	0.3%	\$10,512		\$10,512		\$10,512		\$10,512		\$10,512				
4411	Colorado River Repayment																	
	INTEREST INCOME																	
3290	Treasurer [6-FY02]	\$25,975,642	32.3%	\$12,489,649	-51.9%	\$5,927,449	-52.5%	\$4,471,164	-24.6%	\$10,505,000	135.0%	\$11,266,000	7.2%	\$10,010,000	-11.1%			
3291	Other	\$357,815	#####	\$11,708	-96.7%	\$62,598	434.6%	\$57,469	-8.2%	\$65,000	13.1%	\$73,000	12.3%	\$80,000	9.6%			
	TOTAL INTEREST INCOME	\$26,333,458	34.0%	\$12,501,357	-52.5%	\$5,990,047	-52.1%	\$4,528,633	-24.4%	\$10,570,000	133.4%	\$11,339,000	7.3%	\$10,090,000	-11.0%			
	TOTAL USE OF MONEY & PROP	\$27,640,257	32.9%	\$13,443,808	-51.4%	\$8,405,836	-37.5%	\$6,547,883	-22.1%	\$12,590,015	92.3%	\$13,459,830	6.9%	\$12,261,697	-8.9%			

**GENERAL FUND REVENUES - ECONOMIC FORUM DECEMBER 1, 2004 FORECAST**  
**ACTUAL: FY 2001 THROUGH FY 2004 AND FORECAST: FY 2005 THROUGH FY 2007**

Economic Forum December 1, 2004 Meeting - 12/1/04 - 1:00 PM

GL NO.	DESCRIPTION	FY 2001 ACTUAL	% Change	FY 2002 ACTUAL	% Change	FY 2003 ACTUAL	% Change	FY 2004 ACTUAL [a.]	% Change	DECEMBER 1, 2004 ECONOMIC FORUM FORECAST											
										FY 2005	% Change	FY 2006	% Change	FY 2007	% Change						
	OTHER REVENUE																				
3059	Hoover Dam Revenue	\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000	
	MISC SALES AND REFUNDS																				
3107	Misc Fees	\$130,387	16.5%	\$403,662	209.6%	\$178,697	-55.7%	\$160,720	-10.1%	\$150,100	-6.6%	\$156,600	4.3%	\$152,000	-2.9%						
3108	Nomination Fees																				
3109	Court Admin Assessments	\$2,808,754	206.0%																		
3150	Telemarketing Fees	\$202,250	-17.2%	\$180,175	-10.9%	\$169,100	-6.1%	\$160,750	-4.9%	\$155,900	-3.0%	\$151,300	-3.0%	\$146,700	-3.0%						
3151	Deceptive Trade Settlement	\$242,141	918.9%	\$4,400	-98.2%	\$650	-85.2%	\$2,900	346.2%	\$650	-77.6%	\$650		\$650							
3168	Declare of Candidacy Filing Fee	\$14,005	-35.7%	\$56,256	301.7%	\$63,064	12.1%	\$65,924	4.5%	\$46,500	-29.5%	\$63,000	35.5%	\$46,500	-26.2%						
3202	Fees & Writs of Garnishments	\$1,665	27.1%	\$2,025	21.6%	\$2,260	11.6%	\$2,415	6.9%	\$2,800	15.9%	\$3,100	10.7%	\$3,300	6.5%						
3220	Nevada Report Sales	\$4,640	-85.9%	\$28,185	507.4%	\$29,865	6.0%	\$16,575	-44.5%	\$25,000	50.8%	\$25,000		\$25,000							
3222	Excess Property Sales	\$17,826	46.9%	\$33,572	88.3%	\$22,877	-31.9%	\$23,811	4.1%	\$18,100	-24.0%	\$18,100		\$18,100							
3240	Sale of Trust Property	\$59,368	-59.4%	\$109,970	85.2%	\$7,223	-93.4%	\$24,650	241.3%	\$5,800	-76.5%	\$15,300	163.8%	\$3,600	-76.5%						
3243	Insurance - Misc	\$545,544	-4.9%	\$453,027	-17.0%	\$396,911	-12.4%	\$395,055	-0.5%	\$415,000	5.0%	\$415,000		\$415,000							
3250	Telemarketing Fines	\$3,489		\$16,915																	
3272	Misc Refunds	\$216,653	6.1%	\$55,438	-74.4%	\$8,889	-84.0%	\$5,191	-41.6%	\$10,100	94.6%	\$10,000	-1.0%	\$10,000							
3274	Misc Refunds	\$268,739	80.6%	\$88,273	-67.2%	\$53,173	-39.8%	\$41,140	-22.6%	\$41,100	-0.1%	\$63,500	54.5%	\$60,800	-4.3%						
3276	Cost Recovery Plan	\$4,251,236	-2.9%	\$5,006,463	17.8%	\$5,004,477	0.0%	\$9,714,586	94.1%	\$9,856,700	1.5%	\$9,856,700		\$9,856,700							
	TOTAL MISC SALES & REF	\$8,766,698	28.5%	\$6,438,361	-26.6%	\$5,937,186	-7.8%	\$10,613,718	78.8%	\$10,727,750	1.1%	\$10,778,250	0.5%	\$10,738,350	-0.4%						
3060	Petroleum Inspection Fees	\$516,320	-3.5%	\$550,736	6.7%	\$563,727	2.4%	\$557,966	-1.0%	\$558,000	0.0%	\$558,000		\$558,000							
3255	Unclaimed Property [9-FY02]	\$10,078,369	30.4%	\$19,328,933	91.8%	\$16,014,824	-17.1%	\$19,611,605	22.5%	\$19,604,500	0.0%	\$16,076,900	-18.0%	\$16,236,500	1.0%						
	TOTAL OTHER REVENUE	\$19,661,386	27.8%	\$26,618,030	35.4%	\$22,815,737	-14.3%	\$31,083,289	36.2%	\$31,190,250	0.3%	\$27,713,150	-11.1%	\$27,832,850	0.4%						
	TOTAL GENERAL FUND REVENUE	\$1,734,116,512	5.3%	\$1,751,957,967	1.0%	\$1,825,353,940	4.2%	\$2,404,005,956	31.7%	\$2,637,249,565	9.7%	\$2,793,399,380	5.9%	\$2,963,425,747	6.1%						

**GENERAL FUND REVENUES - ECONOMIC FORUM DECEMBER 1, 2004 FORECAST**  
**ACTUAL: FY 2001 THROUGH FY 2004 AND FORECAST: FY 2005 THROUGH FY 2007**

Economic Forum December 1, 2004 Meeting - 12/1/04 - 1:00 PM

GL NO.	DESCRIPTION	FY 2001 ACTUAL	% Change	FY 2002 ACTUAL	% Change	FY 2003 ACTUAL	% Change	FY 2004 ACTUAL [a.]	% Change	DECEMBER 1, 2004 ECONOMIC FORUM FORECAST					
										FY 2005	% Change	FY 2006	% Change	FY 2007	% Change

**NOTES:**

[a.] Subject to adjustment based on reconciliation with the Controller's Office and Budget Division

**FY 2001**

[1-FY01] system by the Financial Institutions Division under GL 3100 - Credit Union Fees, GL 3110 - Banking Fees, and GL 3177 - Thrift Institution Fees, respectively. Adjustment made to maintain historical pattern of collections for comparison.

**FY 2002**

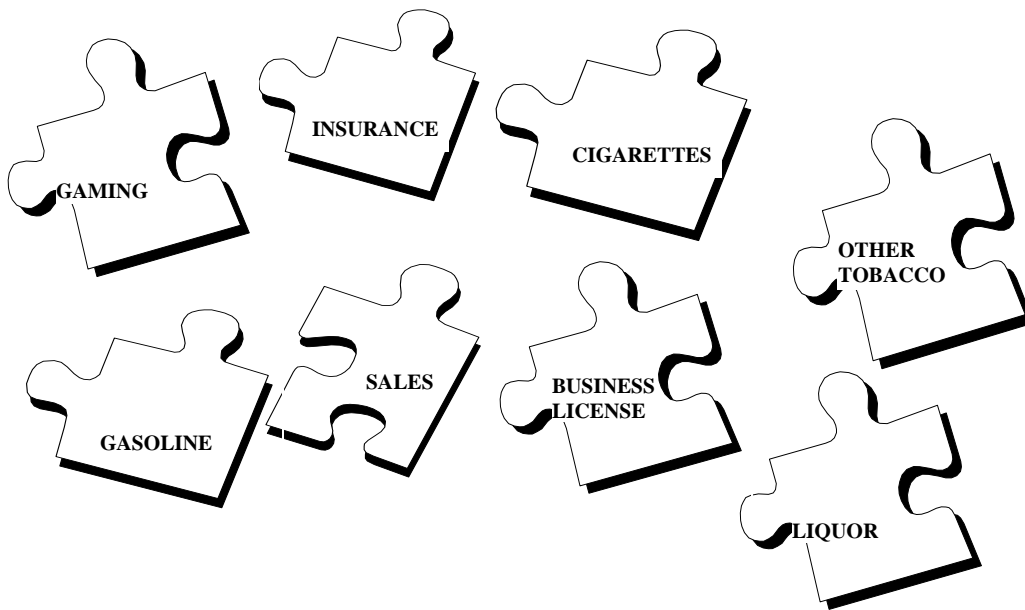
- [1-FY02] FY 2002 and FY 2003 collections reflect the 50% increase in most Secretary of State fees (approved by the 2001 Legislature in S.B. 577).
- [2-FY02] FY 2002 and FY 2003 collections reflect the revenue enhancement approved by the 2001 Legislature in S.B. 307.
- [3-FY02] Collections FY 2002 and FY 2003 reflect additional revenues from the increase in short-term car rental rate resulting from approval of A.B. 460 (2001 Legislature).
- [4-FY02] Beginning in FY 2002, GL 3180 - Water Planning Fees were deposited in GL 3205 - State Engineer Sales due to elimination of the account by the agency.
- [5-FY02] Beginning in FY 2002, Licenses\Fines (GL 3103) revenues collected by the Athletic Commission are reported separately. Previously, these revenues were recorded in GL 3102 along with the fees assessed on the gross receipts from admission fees to unarmed combat events.
- [6-FY02] In FY 2001-02, the Treasurer deposited \$20,000,000 in GL 3291 due to the "2002 Forward Delivery Agreement" for prepayment of interest from the Bond Interest Redemption Fund. The amount is not shown in the General Fund Revenue Tables, but is accounted for on the General Fund Ending Fund Balance Statement as a one-time revenue adjustment.
- [7-FY02] The Department of Information of Technology (DOIT) did not make the scheduled repayment for the noted projects totaling \$114,749 in FY 2002. These payments for FY 2002 will be made in FY 2003 in addition to their normal scheduled repayments for FY 2003.
- [8-FY02] The Printing Division did not make the scheduled repayment of \$70,669 in FY 2002 and is currently not budgeting to make payments in FY 2003, FY 2004, and FY 2005.
- [9-FY02] Collections for FY 2002 includes amount generated from "one-time" acceleration of holding period for determining property to be unclaimed approved by the 2001 Legislature in A.B. 77.

**FY 2004**

- [1-FY04] A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the sales tax to the state from 1.25% to 0.5%, effective July 1, 2003.
- [2-FY04] S.B. 8 (20th S.S.) increased gross gaming tax rates by 0.5%: 3.0% to 3.5% on monthly revenue up to \$50,000; 4.0% to 4.5% on revenue over \$50,000 and up to \$134,000; 6.25% to 6.75% on revenue exceeding \$134,000, effective August 1, 2003.
- [3-FY04] S.B. 8 (20th S.S.) increased quarterly restricted slot fees by 33%: from \$61 to \$81 per machine, up to 5 machines; from \$106 to \$141 for each machine over 5, up to 15 machines, effective July 22, 2003.
- [4a-FY04] S.B. 8 (20th S.S.) modified types of establishments and entertainment subject to the current 10% Casino Entertainment Tax (CET), effective September 1 to December 31, 2003 [Estimated to generate \$4,982,000 additional collections during 4-month period].
- [4b-FY04] S.B. 8 (20th S.S.) repealed CET and replaced by Live Entertainment Tax (LET): 5% of admissions price, if entertainment is in facility with 7,500 or more seats; 10% of admissions price & food, beverage, and merchandise purchased, if facility has more than 300 and up to 7,500 seats; exempt from the tax if facility is a non-gaming establishment with less than 300 seats or is gaming establishment with less than 300 seats and less than 51 slot machines, 6 games, or any combination thereof, effective January 1, 2004.
- [5-FY04] S.B. 8 (20th S.S.) increased liquor taxes by 75%: beer from 9 cents to 16 cents per gallon; liquor up to 14% alcohol from 40 cents to 70 cents per gallon; liquor over 14% and up to 22% alcohol from 75 cents to \$1.30 per gallon liquor over 22% alcohol from \$2.05 (15 cents for alcohol abuse program, 50 cents to local government, and \$1.40 to state general fund) to \$3.60 per gallon (15 cents for alcohol abuse program, 50 cents to local government, and \$2.95 to state general fund) , effective August 1, 2003. [Estimated to generate \$13,873,000 in FY 2004 and \$15,536,000 in FY 2005]. A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the liquor tax to the state from 3% to 0.5%, effective August 1, 2003. [Estimated to generate \$734,000 in FY 2004 and \$822,000 in FY 2005]
- [6-FY04] S.B. 8 (20th S.S.) increased cigarette tax per pack of 20 by 45 cents: from 35 cents per pack (10 cents to Local Government Distribution Fund, 25 cents to state general fund) to 80 cents per pack (10 cents to Local Government Distribution Fund, 70 cents to state general fund), effective July 22, 2003. [Estimated to generate \$63,268,000 in FY 2004 and \$70,047,000 in FY 2005] A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the cigarette tax to the state from 3% to 0.5%, effective August 1, 2003. [Estimated to generate \$2,538,000 in FY 2004 and \$2,884,000 in FY 2005]
- [7-FY04] A.B. 4 (20th S.S.) reduced collection allowance provided to taxpayer for collecting and remitting tax on other tobacco items from 2.0% to 0.5%, effective August 1, 2003.
- [8-FY04] S.B. 8 (20th S.S.) changed the \$25 one-time annual business license fee to an annual fee of \$100, effective July 22, 2003.
- [9-FY04] S.B. 8 (20th S.S.) repealed the current quarterly \$25 per employee tax when the Modified Business Tax comes online, effective October 1, 2003. [See Notes 10 and 11]
- [10-FY04] S.B. 8 (20th S.S.) imposes tax on gross payroll of a business less a deduction for health care provided to employees, effective October 1, 2003. Tax rate is 0.70% in FY 2004 and 0.65% in FY 2005.
- [11-FY04] S.B. 8 (20th S.S.) imposes tax of 2.0% on gross payroll of a financial institution less a deduction for health care provided to employees, effective October 1, 2003.
- [12-FY04] S.B. 8 (20th S.S.) imposes excise tax on each bank of \$7,000 per year (\$1,750 per quarter) on each branch office, effective January 1, 2004.
- [13-FY04] S.B. 8 (20th S.S.) imposes tax of \$1.30 per \$500 of value on the transfers of real property, effective October 1, 2003.
- [14-FY04] S.B.2 and A.B. 4 (20th S.S.) makes changes to the rates and structure of the fees collected from entities filing with the Secretary of State's office, effective September 1, 2003 for Securities and UCC fee increases and
- [15-FY04] S.B. 428 (2003 Session) increases real estate salesman, broker-salesman, and brokers licensing fees by \$20 for an original license and \$10 for renewal of license (original and renewal license fee varies depending on type of
- [16-FY04] A.B. 493 (2003 Session) established that revenues from fees collected by the Division of Financial Institutions of the Department of Business & Industry will be deposited in a separate fund to pay the expenses related to the operations of the Commissioner of Financial Institutions and the Division of Financial Institutions, effective January 1, 2004. Previously, the revenues from the fees were deposited in the state general fund.
- [17-FY04] A.B. 550 (2003 Session) increased state's portion of the fee for issuing copy of a birth certificate by \$2 and fee for issuing copy of death certificate by \$1, effective October 1, 2003
- [18-FY04] S.B. 504 (2003 Session) transferred the State Printing Division of the Department of Administration to the Legislative Counsel Bureau and all debt to the state general fund was forgiven, effective July 1, 2003.
- [19-FY04] Beginning in FY 2004, the portion of the fees collected by the Real Estate Division for Real Estate Testing Fees that belong to the general fund are transferred from Category 28 in BA 3823 to GL 4741 in the General Fund. Previously, the revenue from these fees were reverted to the general fund at the end of the fiscal year.

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## II. TAX REVENUE SUMMARIES





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# **TAX REVENUE SUMMARIES**

## **A. SALES TAX**

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**SALES AND USE TAX**

**Collection:**

**Administration:** Department of Taxation.

**Procedures:** Taxes are due and payable monthly.

**Rate:** 2% on the taxable sale or taxable use of tangible personal property.

**Distribution:**

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State General Fund	\$680,447,243	\$775,255,133	13.9%
Percent of Total State General Fund	37.3%	32.2%	

**Legal Reference(s):** Chapter 397, *Statutes of Nevada 1955*, as amended.  
(Note: This act, known as the Sales and Use Act, was approved by voter referendum in 1956 and all subsequent changes also must be approved by referendum.)

Chapter 372, *Nevada Revised Statutes (NRS)*  
Voter Approved in 1956  
(Note: This chapter includes the codified provisions of the Sales and Use Tax Act as well as administrative provisions that may be changed by the Legislature without voter approval.)

Note: Collection allowance provided to taxpayer for timely payment of sales and use tax reduced from 1.25 percent to 0.5 percent, effective July 1, 2003 pursuant to A.B. 4 of the 20<sup>th</sup> Special Session.

**BASIC CITY-COUNTY RELIEF TAX (BCCRT)**

**Collection:**

**Administration:** Department of Taxation.

**Procedures:** Taxes are due and payable monthly. Proceeds of tangible personal property sales, less a 0.75% state charge for collection, are returned to the county where collected for deposit in the Local Government Tax Distribution fund. Redistribution within the county is by statutory formula based on prior distributions, consumer price index (CPI) and growth as measured by population and assessed valuation.

**Rate:** 0.5% on the taxable sale or taxable use of tangible personal property.

**Distribution:**

**Recipient(s):** Nevada counties, cities, towns and special districts; state General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
Local Governments	\$166,733,884	\$189,825,793	13.8%
State General Fund	\$1,259,954	\$1,434,452	13.8%
Percent of Total State General Fund	0.1%	0.1%	

**Legal Reference(s):** Chapter 377, *Nevada Revised Statutes*.

**SUPPLEMENTAL CITY-COUNTY RELIEF TAX (SCCRT)**

**Collection:**

**Administration:** Department of Taxation.

**Procedures:** Taxes are due and payable monthly. Proceeds of tangible personal property sales, less a 0.75% state charge for collection is returned to the county where collected, (except for a small portion in certain larger counties, which is redistributed to other counties) for deposit in the Local Government Tax Distribution fund. Redistribution within the county is by statutory formula based on prior distributions, CPI and growth as measured by population and assessed valuation.

**Rate:** 1.75% on the taxable sale or taxable use of tangible personal property.

**Distribution:**

**Recipient(s):** Nevada counties, cities, towns and special districts, state General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
Local Governments	\$583,525,719	\$664,154,511	13.8%
State General Fund	\$4,409,514	\$5,018,799	13.8%
Percent of Total State General Fund	0.2%	0.2%	

**Legal Reference(s):** Chapter 377, *Nevada Revised Statutes*.

**LOCAL SCHOOL SUPPORT TAX (LSST)**

**Collection:**

**Administration:** Department of Taxation.

**Procedures:** Taxes are due and payable monthly. Proceeds of in-state sales of tangible personal property, less a 0.75% state charge for collection, are returned to the school district in the county where collected. The proceeds of out-of-state sales, less a 0.75% state charge for collection, are deposited in the state Distributive School Account.

**Rate:** 2.25% on the taxable sale or taxable use of tangible personal property.

**Distribution:**

**Recipient(s):** School districts; state Distributive School Account (DSA); state General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
School Districts	\$686,820,222	\$785,709,335	14.4%
Distributive School Account	\$63,432,710	\$68,263,920	7.6%
<b>Total: School Districts &amp; DSA</b>	<b>\$750,252,932</b>	<b>\$853,973,255</b>	<b>13.8%</b>
State General Fund	\$5,669,418	\$6,453,198	13.8%
Percent of Total State General Fund	0.3%	0.3%	

**Legal Reference(s):** Chapter 374, *Nevada Revised Statutes*.

## COUNTY OPTIONAL SALES TAXES

### Collection:

**Administration:** Department of Taxation.

**Procedures:** Taxes are due and payable monthly. Proceeds from the sales of tangible personal property, less a 0.75% state charge for collection, are returned to the counties where the taxes have been authorized and collected.

**Rate:** As of April 1, 2004, the following counties impose the respective optional sales tax; Clark - 1.0%, Washoe - .875%, Storey - .75%, Carson City and Churchill County - .50%, Douglas, Lander, Lincoln and Nye Counties - 0.25% tax; White Pine County imposes an additional 0.375% tax.

### Distribution:

**Recipient(s):** Counties that impose the optional tax; state General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
Participating Counties	\$230,616,636	\$323,036,798	40.1%
State General Fund	\$1,742,695	\$2,441,084	40.1%
Percent of Total State General Fund	0.1%	0.1%	

**Legal Reference(s)** Chapters 377A, 374A and 377B, *Nevada Revised Statutes*, NRS 543.600 et seq.;  
Chapter 491, *Statutes of Nevada 1991*, Section 29;  
Chapter 475, *Statutes of Nevada 1993*, Section 8;  
Chapter 566, *Statutes of Nevada 1993*, Section 9;  
Chapter 37, *Statutes of Nevada 1999*, Section 18.



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# **TAX REVENUE SUMMARIES**

## **B. GAMING TAXES**

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## GAMING PERCENTAGE FEE

**Collection:**

**Administration:** Gaming Control Board.

**Procedures:** Fees due and payable monthly from non-restricted licensees based on taxable gross gaming revenues. These fees are an estimated payment for the month three months in advance; each month an adjustment is made to the fees payable for the difference between the actual taxes owed and the amount of the estimated prepayment collected three months prior.

**Rate:** Progressive schedule as follows: 3.5% on monthly revenue of up to \$50,000; 4.5% on monthly revenue in excess of \$50,000 up to \$134,000; 6.75% on monthly revenue in excess of \$134,000.

**Distribution:**

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004*</u></b>	<b><u>% Change</u></b>
State General Fund	\$559,466,414	\$677,021,604	21.0%
Percent of Total State General Fund	30.6%	28.2%	

\*Effective August 1, 2003, gross gaming revenue tax was increased by 0.5 percent for non-restricted licenses pursuant to S.B. 8 of the 20<sup>th</sup> Special Session.

**Legal Reference(s):** NRS 463.370; 463.371; 463.3715.

**NON-RESTRICTED SLOT LICENSE FEE**

**Collection:**

**Administration:** Gaming Control Board.

**Procedures:** Paid in advance on or before the last day of each calendar quarter for continuing operations. Collected in advance from start-up operations or from licensees who put additional slots into play during the quarter. No proration of fee is allowed.

**Rate:** \$20 per quarter per machine.

**Distribution:**

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State General Fund	\$15,130,090	\$14,899,080	-1.5%
Percent of Total State General Fund	0.8%	0.6%	

**Legal Reference(s):** NRS 463.375.

**RESTRICTED SLOT LICENSE FEE**

**Collection:**

**Administration:** Gaming Control Board.

**Procedures:** Collected from licensees with 15 or less slots and no other games. Paid in advance on or before the last day of each calendar quarter for continuing operations. Collected in advance from start-up operations or from licensees who put additional slots into play during the quarter. No proration of fee is allowed.

**Rate:** \$81 per machine per quarter for 1 to 5 machines; \$405 plus \$141 for each machine in excess of 5 per quarter.

**Distribution:**

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004*</u></b>	<b><u>% Change</u></b>
State General Fund	\$6,779,855	\$9,227,712	36.1%
Percent of Total State General Fund	0.4%	0.4%	

\*Effective July 22, 2003, the fee for the operation of slot machines in restricted locations was increased by 33 percent (pursuant to S.B. 8 of the 20<sup>th</sup> Special Session).

**Legal Reference(s):** NRS 463.373.

**FLAT FEE ON GAMES**

**Collection:**

**Administration:** Gaming Control Board.

**Procedures:** Paid in advance on or before the last day of each calendar quarter for continuing operations. Collected in advance from start-up operations or from licensees who put additional games into play during the quarter. No proration of fee is allowed.

**Rate:** One-fourth of the following annual rates based on the number of games: 1 game--\$50; 2 games--\$100; 3 games--\$200; 4 games--\$375; 5 games--\$875; 6 or 7 games--\$1,500; 8 to 10 games--\$3,000; 11 to 16 games--\$500 per game; 17 to 26 games--\$4,800 for each game in excess of 16; 27 to 35 games--\$2,800 for each game in excess of 26; 36 or more games--\$100 for each game in excess of 35.

**Distribution:**

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State General Fund	\$7,176,311	\$7,217,352	0.6%
Percent of Total State General Fund	0.4%	0.3%	

**Legal Reference(s):** NRS 463.383.

## CASINO ENTERTAINMENT TAX

### Collection:

**Administration:** Gaming Control Board.

**Procedures:** Paid monthly on or before the 24<sup>th</sup> of the month following the month the entertainment is taxed. Paid by licensees with 51 or more slots, or 6 or more games.

**Rate:** 10% of all amounts paid for admission, food, refreshments and merchandise during certain casino entertainment.

### Distribution:

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003*</u></b>	<b><u>FY 2003-2004**</u></b>	<b><u>% Change</u></b>
State General Fund	\$70,212,815	\$40,087,655	-42.9%
Percent of Total State General Fund	3.8%	1.7%	

\* Casino Entertainment Tax was in effect throughout FY 2002-2003.

\*\* Changes to the existing Casino Entertainment Tax were effective September 1, 2003. The Casino Entertainment Tax was repealed and the Live Entertainment Tax became effective on January 1, 2004. The revenue for FY 2003-2004 reflects only six months worth of collections.

**Legal Reference(s):** NRS 463.401, et seq. (repealed pursuant to S.B. 8 of the 20<sup>th</sup> Special Session.).

(See also the Live Entertainment Tax on page 61.)



**ADVANCE LICENSE FEE**

**Collection:**

**Administration:** Gaming Control Board.

**Procedures:** Collected from new licensees on or before the 24<sup>th</sup> of the month following the first full month of operation.

**Rate:** 3 times the percentage fees due from the first full calendar month of operation.

**Distribution:**

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State General Fund	\$1,623,136	\$3,649,564	124.8%
Percent of Total State General Fund	0.1%	0.2%	

**Legal Reference(s):** NRS 463.370.

## ANNUAL SLOT TAX

**Collection:**

**Administration:** Gaming Control Board.

**Procedures:** Collected annually on or before June 20, of each year to license the operation of any slot machine for the ensuing fiscal year. Collected in advance from start-up operations or from licensees who put additional slots into play during the year, prorated monthly after July 31.

**Rate:** \$250 per year per machine.

**Distribution:**

**Recipient(s):** \$5 million to the Capital Construction Fund for Higher Education; 20% to the Special Capital Construction Fund for Higher Education; the remainder to the state Distributive School Account. Any money in the Capital Construction fund not appropriated is transferred to the state General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
Distributive School Account	\$37,151,319	\$36,644,686	-1.4%
Special Capital Construction Fund	\$10,537,830	\$10,411,171	-1.2%
State General Fund	\$5,000,000	\$5,000,000	0.0%
Percent of Total State General Fund	0.3%	0.2%	

**Legal Reference(s):** NRS 463.385.

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# **TAX REVENUE SUMMARIES**

## **C. PROPERTY TAXES**

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## PROPERTY TAX

### Collection:

**Administration:** Department of Taxation.

**Procedures:** Property of an interstate or intercounty nature is centrally assessed by the department. Other property is assessed by the county assessors. Generally, land is appraised at its market value, while improvements are appraised at replacement cost less depreciation of 1.5% per year up to 50 years. The assessed value is 35% of the appraised (taxable) value.

Taxes on real property and mobile homes are due on the third Monday in August. Taxes on all real property and mobile homes, where the taxes exceed \$100, may be paid in quarterly installments. If certain conditions are met, the taxes on personal property, when the taxes exceed \$10,000, may also be paid in quarterly installments. The installments are due on the third Monday in August, and the first Monday in October, January and March, respectively.

**Rate:** Local government tax rates, other than debt, are determined by a revenue limitation of 6 percent per year plus new property. Legislative and voter overrides have been authorized to supplement the capped revenues. The rate for each school district, other than debt, is 75 cents per \$100 of assessed value. Debt rates for local governments and schools are set based on debt service requirements. The state debt rate, set by statute, is 17 cents per \$100 in FY 2004 and FY 2005. The weighted statewide average tax rate per \$100 of assessed valuation was 2.9443 in FY 1998, 2.9761 in FY 1999, 3.0042 in FY 2000, 3.0339 in FY 2001, 3.0563 in FY 2002, 3.0758 in FY 2003 and 3.1115 in FY 2004.

### Distribution:

**Recipient(s):** Counties, cities, towns, special districts, school districts and the state Consolidated Bond Interest and Redemption fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
Local Governments	\$964,544,242	\$1,060,902,005	10.0%
School Districts	\$725,678,256	\$791,061,558	9.0%
State Bond Fund	\$86,653,099	\$107,030,055	23.5%
Total Property Tax Collections	\$1,776,875,597	\$1,958,993,618	10.2%

Note: Estimates exclude revenue from property added to the rolls during the course of the year. Estimated figures include estimates of net proceeds revenue.

**Legal Reference(s):** *Nevada Constitution, Article 10, Section 1, Chapter 361, Nevada Revised Statutes.*

## NET PROCEEDS OF MINERALS TAX

### Collection:

**Administration:** Department of Taxation.

**Procedures:** Net proceeds are determined by subtracting from the gross yield of mines certain production-related expenses. Every mine and royalty recipient must file a statement of gross yield and net proceeds by February 16 and pay any taxes due by May 10 for net proceeds earned or royalties received during the preceding calendar year.

**Rate:** Net proceeds are taxed at rates ranging from a minimum 2% or the equivalent of the local property tax rate where the mine is located to a maximum 5%. Except for geothermal operations, which are taxed solely at the combined property tax rate where they are located, the rate is determined by the ratio of net proceeds to gross yield. However, all mines with net proceeds above \$4 million and all royalties paid by mines are taxed at the 5% rate. Local governments, school districts and the state bond interest and redemption fund receive revenue equal to the amount derived from the application of the respective property tax rate where the mine is located. Revenue above those amounts accrues to the state General Fund.

### Distribution:

**Recipient(s):** Local governments, principally counties, school districts, state Bond Interest and Redemption fund, state General Fund and state Permanent Net Proceeds fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State Bond Fund	\$784,543	\$1,284,831	63.8%
Local Governments	\$13,756,888	\$19,093,250	38.8%
State General Fund	\$10,566,386	\$16,784,558	58.8%
Percent of Total State General Fund	0.6%	0.7%	

**Legal Reference(s):** *Nevada Constitution*, Article 10, Sections 1 and 5, Chapter 362, *Nevada Revised Statutes*.

# **TAX REVENUE SUMMARIES**

## **D. EXCISE TAXES**



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## LIQUOR TAX

### Collection:

**Administration:** Department of Taxation.

**Procedures:** Taxes are due by the 20<sup>th</sup> of the following month and the payment date may be extended for 15 days with interest accruing on taxes due. Liquor license fees are payable by July 15, or until July 31, with a 5% penalty. Licenses issued at other times are prorated to the period for which they are in effect, but for no less than one quarter of a year.

**Rate:** Taxes: Over 22% alcohol--\$3.60 per gallon; over 14% to 22% alcohol--\$1.30 per gallon; up to 14% alcohol--70 cents per gallon; malt beverages, including beer--16 cents per gallon.

License fees: importer's wine, beer and liquor license, \$500; importer's beer license, \$150; wholesale wine, beer and liquor license, \$250; wholesale beer license, \$75; brewer's or winemaker's license, \$75; certificate of compliance, \$50.

### Distribution:

**Recipient(s):** State General Fund receives all revenues except for those received from 65 cents per gallon of the tax on liquor containing over 22% alcohol; state tax on liquor program account in the state General Fund receives 15 cents per gallon from the tax on liquor containing over 22% alcohol; the remaining 50 cents per gallon from the tax on liquor containing over 22% alcohol is deposited in the Local Government Tax Distribution fund and redistributed within each county by statutory formula.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004*</u></b>	<b><u>% Change</u></b>
Liquor Program Account	\$752,861	\$840,974	11.7%
Local Governments	\$2,509,535	\$2,803,247	11.7%
State General Fund	\$16,531,358	\$33,025,941	99.8%
Percent of Total State General Fund	0.9%	1.4%	

\*Tax on intoxicating liquors increased by 75 percent effective August 1, 2003, pursuant to S.B. 8 of the 20<sup>th</sup> Special Session.

**Legal Reference(s):** NRS 369, *Nevada Revised Statutes*.

Note: Collection allowance provided to taxpayer reduced from 3 percent to 0.5 percent effective August 1, 2003 pursuant to A.B. 4 at the 20<sup>th</sup> Special Session.

**CIGARETTE TAX**

**Collection:**

**Administration:** Department of Taxation.

**Procedures:** Payment for revenue stamps must be made at time of purchase unless deferral until the 25<sup>th</sup> of the following month is authorized by the department. Annual license fees are due by January 15; for license periods of less than a year proration to no less than 25% of the fee is allowed.

**Rate:** 40 mills per cigarette (80 cents per pack of 20). Wholesaler’s license fee is \$150 per year.

**Distribution:**

**Recipient(s):** State General Fund receives 35 mills per cigarette (70 cents per pack of 20); 5 mills per cigarette (10 cents per pack of 20) is deposited in the Local Government Tax Distribution fund and redistributed within the counties by statutory formula.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004*</u></b>	<b><u>% Change</u></b>
Local Governments	\$17,254,628	\$15,357,368	-11.0%
State General Fund	\$44,019,969	\$106,770,729	142.6%
Percent of Total State General Fund	2.4%	4.4%	

\*Tax increased by 45 cents per pack of 20 cigarettes, effective July 22, 2003; pursuant to SB.8 of the 20<sup>th</sup> Special Session.

**Legal Reference(s):** NRS 370, *Nevada Revised Statutes*, except NRS 370.440 to 370.503; NRS 360.660.

Note: Collection allowance provided to taxpayer reduced from 3 percent to 0.5 percent effective August 1, 2003 pursuant to A.B. 4 of the 20<sup>th</sup> Special Session.

**TAX ON OTHER TOBACCO PRODUCTS**

**Collection:**

**Administration:** Department of Taxation.

**Procedures:** Tax must be paid before any products are sold to a customer.

**Rate:** 30% of the wholesale price of tobacco products, other than cigarettes, purchased or possessed by customers in this state.

**Distribution:**

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State General Fund	\$5,916,301	\$6,927,276	17.1%
Percent of Total State General Fund	0.3%	0.3%	

**Legal Reference(s):** NRS 370.440 to 370.503.

Note: Collection allowance provided to taxpayer reduced from 2 percent to 0.5 percent effective August 1, 2003 pursuant to A.B. 4 of the 20<sup>th</sup> Special Session.

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# **TAX REVENUE SUMMARIES**

## **E. FUEL AND MOTOR VEHICLE TAXES**

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## GASOLINE TAX

### Collection:

**Administration:** Department of Motor Vehicles.

**Procedures:** Paid by fuel dealers not later than the 25<sup>th</sup> of the month following in which the fuel is sold.

**Rate:** Combined 23.0 cents per gallon state-mandated rate; 1-cent mandatory county tax for road repair; up to 9 cents per gallon by county ordinance for regional transportation projects.

### Distribution:

**Recipient(s):** The state Highway fund receives 17.65 cents per gallon of the state-mandated tax; various local government road funds receive 5.35 cents of the state-mandated tax and the revenue from the road repair tax and the county optional tax, all of which are allocated under various formulas; other distributions are made from estimates of fuel sold for non-road uses.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State Highway Fund	\$176,592,633	\$184,490,849	4.5%
Local Government Road Funds	\$150,053,777	\$157,738,850	5.1%
Non-Road Allocations	\$3,251,281	\$3,198,526	-1.6%
Administrative Costs	\$796,729	\$635,695	-20.2%
Total Collections	\$330,694,420	\$346,063,920	4.6%

**Legal Reference(s):** Chapters 365 and 373, *Nevada Revised Statutes*.



## TAX ON SPECIAL FUEL

**Collection:**

**Administration:** Department of Motor Vehicles; International Fuel Tax Agreement.

**Procedures:** Tax must be paid by licensed special fuel dealers and licensed special fuel users, which includes operators of vehicles with declared gross weight exceeding 26,000 pounds. Dealers pay the special fuel taxes on or before the last day of the month following the month the taxes were collected. Users of special fuel pay their taxes on or before the last day of the month following the end of each calendar quarter.

**Rate:** 27 cents per gallon on the sale or use of all special fuels except compressed natural gas (CNG); 21 cents per gallon on the sale or use of compressed natural gas, 22 cents per gallon for the sale or use of liquid petroleum gas (LPG), and 19 cents per gallon for the sale or use of water-phased hydrocarbon fuel.

**Distribution:**

**Recipient(s):** State Highway Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State Highway Fund	\$74,146,523	\$81,472,800	9.9%

**Legal Reference(s):** Chapter 366, *Nevada Revised Statutes*.

**JET FUEL TAX**

**Collection:**

**Administration:** Department of Motor Vehicles after January 1, 2002.

**Procedures:** Applies to the sale of fuel for jet or turbine-powered aircraft. Dealers must report and remit the taxes by the 25<sup>th</sup> of the month following the month the fuel was sold, distributed or used.

**Rate:** 1-cent per gallon statewide; additional local tax of up to 4 cents per gallon with voter approval.

**Distribution:**

**Recipient(s):** Local Governments.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
Local Governments	\$11,884,687	\$12,712,911	7.0%

**Legal Reference(s):** NRS 365.170(1)(b) and 365.203.

**PETROLEUM PRODUCTS CLEANUP FEE**

**Collection:**

**Administration:** Department of Motor Vehicles.

**Procedures:** Imposed on each gallon of motor vehicle fuel, diesel fuel of grade number 1 and 2 and other heating oil imported into the state. The fee is payable on or before the 25<sup>th</sup> of the month following the fuel is handled.

**Rate:** 0.75 cents per gallon.

**Distribution:**

**Recipient(s):** The revenues, less a charge for collection expenses, are deposited to the fund for cleaning up discharges of petroleum, which is administered by the Division of Environmental Protection. Pursuant to NRS 590.580 the fee is discontinued when the balance in the fund at the end of any fiscal year reaches at least \$7.5 million; collection of the fee resumes when the end of the year balance is \$5 million or less.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
Petroleum Cleanup Fund	\$9,945	\$11,750,326	118053.1%

**Legal Reference(s):** NRS 590.840.

## GOVERNMENT SERVICES TAX

### Collection:

**Administration:** Department of Motor Vehicles.

**Procedures:** The valuation of vehicles for purposes of the tax is 35% of the manufacturer's suggested retail price, excluding options, at the time the make and model for that year was first offered for sale in Nevada. In all counties with a population of 35,000 or more, the department collects the tax; in smaller counties, the county assessor acts as the department's agent to collect the tax. The tax on most vehicles is due and payable on the first day of the registration year and is collected in conjunction with the registration or renewal of such vehicles. For fleet vehicles with a declared gross weight exceeding 26,000 lbs., the tax may be paid in equal installments; the first installment is due at the time of registration and the remaining installments are due on or before the 1<sup>st</sup> of April, July and October, respectively, of each year.

**Rate:** 4 cents on each dollar of the valuation of the vehicle; 1-cent optional tax for transportation or, in some counties, to replace funds lost because of "fair-share" legislation.

### Distribution:

**Recipient(s):** The department receives a commission of 1% of all tax revenues collected by county assessors and 6% of all other government services taxes collected. The other revenues are returned to the county where the vehicles are registered, except for revenues from the tax applied to motor carriers, which are distributed to counties based on a statutory percentage allocation. A portion of the revenue is distributed to each school district based on its FY 1978-79 operating tax rate and the higher of its FY 1978-79 debt rate or its current debt rate plus any rate for capital projects and its current assessed valuation. The remaining revenue is deposited in the Local Government Tax Distribution fund and redistributed to governments within the counties by statutory formula.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
Department of Motor Vehicles	\$15,126,698	\$16,904,407	11.8%
Local Governments & School Districts	\$200,543,394	\$225,040,291	12.2%
Supplemental/Special	\$38,482,020	\$41,940,111	9.0%
Total Collections	\$254,152,112	\$283,884,809	11.7%

**Legal Reference(s)** Chapter 371, *Nevada Revised Statutes*;  
Chapter 491, *Statutes of Nevada 1991*, Section 30.

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# **TAX REVENUE SUMMARIES**

## **F. OTHER TAXES AND FEES**

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## INSURANCE PREMIUM TAX

**Collection:**

**Administration:** Department of Taxation.

**Procedures:** For insurers whose tax liability was at least \$2,000 in the prior year, taxes must be paid quarterly based on actual premium volume for that quarter. Each quarterly payment is due on the last day of each calendar quarter and payable on the last day of the following month. On or before March 15 of each year, all insurers must file a report showing the total income from premiums for the preceding year and pay any remaining taxes owed on those premiums.

**Rate:** 3.5% of net premiums, except that insurers with a home or regional office in Nevada may take a credit, not to exceed 80% of the taxes otherwise due, of 50% of the tax liability plus an amount equal to the property taxes paid on that home or regional office.

**Distribution:**

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State General Fund	\$173,992,622	\$194,218,036	11.6%
Percent of Total State General Fund	9.5%	8.1%	

**Legal Reference(s):** Chapter 680B, *Nevada Revised Statutes*.



## **MODIFIED BUSINESS TAX - FINANCIAL INSTITUTIONS**

### **Collection:**

**Administration:** Department of Taxation.

**Procedures:** Tax is imposed on financial institutions that are required to pay unemployment insurance contributions to the Nevada Department of Employment, Training and Rehabilitation pursuant to NRS Chapter 612. The tax is payable quarterly and must not be deducted from any wages or a person employed by the financial institution.

**Rate:** Tax is imposed at the rate of 2.0% of gross wages paid by the financial institution during the calendar quarter with respect to employment. A deduction is allowed for the amount paid by the financial institution for health insurance or a health benefit plan.

### **Distribution:**

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2003-2004*</u></b>	<b><u>% Change</u></b>
State General Fund	\$15,487,677	N/A
Percent of Total State General Fund	0.9%	

\*Tax effective October 1, 2003, pursuant to S.B. 8 of the 20<sup>th</sup> Special Session.

**Legal Reference(s):** Chapter 363B, *Nevada Revised Statutes*.

## MODIFIED BUSINESS TAX – GENERAL BUSINESSES

### Collection:

**Administration:** Department of Taxation.

**Procedures:** Tax is imposed on employers other than financial institutions, Indian tribes, nonprofit organizations and political subdivisions, who are required to pay unemployment insurance contributions to the Nevada Department of Employment Security. The tax is payable quarterly and must not be deducted from any wages of a person employed by the employer.

**Rate:** Tax is imposed at the rate of 0.65%\* of gross wages paid by the employer during a calendar quarter with respect to employment. A deduction is allowed for the amount paid by the employer for health insurance or a health benefit plan.

### Distribution:

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2003-2004*</u></b>	<b><u>% Change</u></b>
State General Fund	\$146,161,812	N/A
Percent of Total State General Fund	8.4%	N/A

\*Tax effective October 1, 2003 pursuant to S.B. 8 of the 20<sup>th</sup> Special Session. Tax originally imposed at the rate of 0.7% but was decreased to 0.65% effective July 1, 2004.

**Legal Reference(s):** Chapter 363A, *Nevada Revised Statutes*.

## BRANCH BANK EXCISE FEE

### Collection:

**Administration:** Department of Taxation.

**Procedures:** Tax is payable quarterly on each bank that maintains more than one branch office in Nevada.

**Rate:** Imposes an excise fee of \$7,000 per year (\$1,750 per quarter) on each branch bank over one that is maintained by a bank on the first day of a calendar year.

### Distribution:

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2003-2004*</u></b>	<b><u>% Change</u></b>
State General Fund	\$1,508,192	N/A
Percent of Total State General Fund	0.1%	

\*Tax effective January 1, 2004, pursuant to S.B. 8 of the 20<sup>th</sup> Special Session.

**Legal Reference(s):** NRS 363A.120.

## **BUSINESS LICENSE TAX**

### **Collection:**

**Administration:** Department of Taxation.

**Procedures:** Taxes are due on or before the last day of each calendar quarter and are payable by the last day of the month immediately following the end of that quarter. The department may grant an extension for payment of the tax for good cause. If the tax for a calendar quarter is less than \$25, the business may submit a request to the department to pay the tax annually.

**Rate:** \$25 for each equivalent full-time employee (468 hours) employed by the business in the quarter. A business whose employee's monthly wage is 150% or less of the federal poverty level can include that employee's hours, up to 50% of total liability if the business provides child care.

### **Distribution:**

**Recipient(s):** Revenue is deposited to the credit of the business tax account in the state General Fund.

<u><b>Revenue:</b></u>	<u><b>FY 2002-2003*</b></u>	<u><b>FY 2003-2004**</b></u>	<u><b>%Change</b></u>
State General Fund	\$79,026,132	\$22,216,500	-71.9%
Percent of Total State General Fund	4.3%	0.9%	

\*Business License Tax was in effect throughout FY 2002-2003.

\*\*Business License Tax was repealed effective October 1, 2003, pursuant to S.B. 8 of the 20<sup>th</sup> Special Session.

**Legal Reference(s):** Chapter 364A, Nevada Revised Statutes.

## **BUSINESS LICENSE FEE**

**Collection:**

**Administration:** Department of Taxation.

**Procedures:** Annual fee payable on or before the last day of the month in which the anniversary date of issuance of the business license occurs each year.

**Rate:** \$100 per business per year.

**Distribution:**

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004*</u></b>	<b><u>% Change</u></b>
State General Fund	\$739,561	\$11,851,752	1502.5%
Percent of Total State General Fund	0.0%	0.5%	

\*Effective July 22, 2003, the \$25 one-time Business License fee was replaced with an annual business license fee of \$100 pursuant to S.B. 8 of the 20<sup>th</sup> Special Session.

**Legal Reference(s):** Chapter 364A, *Nevada Revised Statutes*;  
NRS 360.780.

## SHORT-TERM CAR RENTAL FEE

### Collection:

**Administration:** Department of Taxation.

**Procedures:** The fees are due on the last day of each calendar quarter and are to be reported and paid on the last day of the month following each calendar quarter.

**Rate:** In all counties 6% of the total amount for which the passenger car was leased, excluding any taxes or other fees imposed by a governmental entity. An additional fee in the amount of not more than 2% of the total amount for which the passenger car was leased may be imposed by county ordinance whose population is 100,000 or more. In a county whose population is 100,000 or more but less than 400,000, the proceeds of any additional fee imposed must be used solely to pay the costs of acquiring and operating a minor league baseball stadium project. In a county whose population is 400,000 or more, the proceeds of any additional fee imposed must be used solely to pay the costs of acquiring and operation a performing arts center. In January of 2004, Washoe County approved their local option rate on the fee.

### Distribution:

**Recipient(s):** Revenues generated by the 6% rate are deposited in the state General Fund. Revenues generated by the 2% rate are returned to the county imposing the local option rate.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State General Fund	\$22,208,165	\$25,638,556	15.4%
Percent of Total State General Fund	1.2%	1.1%	
Washoe County*		\$286,050	

**Legal Reference(s):** NRS 482.313;  
NRS 244A.810;  
NRS 244A.860.

Note: The due dates and rate of the fee are effective January 1, 2002.

\* Although the local option rate was approved by Washoe County in January 2004, the tax was not implemented and collected until April 1, 2004. The actual collections of \$286,050 for FY 2003-04 represent one quarter of collections.

## REAL PROPERTY TRANSFER TAX

### Collection:

**Administration:** County Recorders.

**Procedures:** Levied on the value of real property transferred from one person to another where the value of the transfer, exclusive of any encumbrance, exceeds \$100. The tax is collected before the deed showing the transfer of title is recorded.

**Rate:** In a county whose population is 400,000 or more, \$2.55 on each \$500 of value or fraction thereof. In a county whose population is less than 400,000, \$1.95 on each \$500 of value or fraction thereof. An optional tax of up to \$0.10 on each \$500 of value or fraction thereof may be imposed in all counties other than Clark and Eureka to replace revenues lost as a result of the “fair share” legislation. Counties whose population is less than 400,000 also have the option to impose an additional tax in the amount of not more than \$0.05 on each \$500 of value or fraction thereof to support the Department of Agriculture’s programs to control invasive species and certain endemic pests and weeds.

### Distribution:

**Recipient(s):** Proceeds from \$1.30 on each \$500 of value or fraction thereof are transmitted to the State Controller for deposit to the state General Fund. Proceeds from deposit in the Local Government Tax Distribution fund created pursuant to NRS 319.500 for credit to the respective accounts of each county. Proceeds from \$0.10 on each \$500 of value or fraction thereof are transmitted to the State Treasurer for deposit in the account for low-income housing created pursuant to NRS 319.500. Proceeds from \$0.60 on each \$500 of value or fraction thereof in a county whose population is 400,000 or more are transmitted to the school district in that county to support capital projects pursuant to NRS 387.328.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004*</u></b>	<b><u>% Change</u></b>
Local Government Tax Distribution Fund	\$29,530,487	\$47,793,185	61.8%
Low Income Housing	\$5,378,597	\$8,679,261	61.4%
CCSD	\$24,708,324	\$41,089,833	66.3%
State General Fund		\$88,024,738	

\*Effective October 1, 2003 an additional tax of \$1.30 per \$500 of value or fraction thereof was imposed pursuant to S.B. 8 of the 20<sup>th</sup> Special Session.

**Legal Reference(s):** Chapter 375, *Nevada Revised Statutes*;  
Chapter 475, *Statutes of Nevada 1993*, Section 11;  
Chapter 491, *Statutes of Nevada 1991*, Section 32.

## LIVE ENTERTAINMENT TAX

### Collection:

**Administration:** Licensed Gaming Establishments: Gaming Control Board.  
Non-Gaming Establishments: Department of Taxation.

### Procedures:

Licensed Gaming Establishments: Paid monthly on or before the 24<sup>th</sup> of the month following the month the entertainment is taxed.

Non-Gaming Establishments: Paid monthly on or before the 30<sup>th</sup> of the month following the month the entertainment is taxed.

The board and department at their discretion are authorized to allow taxpayers to remit payments quarterly instead of monthly

**Rate:** Ten percent of all amounts paid for admission, food, refreshments and merchandise if maximum seating capacity is less than 7,500 but is at least 300. Five percent of all amounts paid for admission only if the maximum seating capacity is 7,500 or more. A licensed gaming establishment with less than 300 seats is exempt only if the establishment also has less than 51 slots, 6 games or any combination of slots and games within those respective limits.

### Distribution:

**Recipient(s):** State General Fund.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003*</u></b>	<b><u>FY 2003-2004**</u></b>	<b><u>% Change</u></b>
Gaming Portion	\$0	\$44,768,304	N/A
Non-Gaming Portion	\$0	\$4,345,868	
Total	\$0	\$49,114,172	

\*Casino Entertainment Tax was in effect throughout FY 2002-03.

\*\*Changes to the Casino Entertainment Tax were effective September 1, 2003. The Casino Entertainment Tax was repealed and the Live Entertainment Tax became effective on January 1, 2004. Total Casino Entertainment Tax and Live Entertainment Tax collections for FY 2003-04 were \$89,201,827

(See also Casino Entertainment Tax on page 29.)

**Legal Reference(s):** 368A.200.



## ESTATE TAX

### Collection:

**Administration:** Department of Taxation.

**Procedures:** Assessed against the transfer of the taxable estate of a decedent who is a resident of Nevada or to the property of non-resident decedents under the jurisdiction of this state. The personal representative of every estate subject to the tax must file a return with the department on or before the date the federal estate tax return is required to be filed. The tax is due within 9 months of the date of the decedent's death; beyond that period interest accrues on the tax liability.

**Rate:** The tax is the maximum amount of the state credit against the federal estate tax which begins at 0.8% on adjusted taxable estate amounts between \$40,000 and \$90,000 and goes up to 16% on adjusted taxable estate amounts in excess of \$10,040,000. The amount of cumulative estate and gift transfers exempt from taxes is \$600,000. The tax is reduced by the amount of any death tax collected on the estate by another state.

### Distribution:

**Recipient(s):** Department of Taxation (for administrative costs), University and Community College System of Nevada (UCCSN) Endowment fund, and Fund for School Improvement.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
Administrative Costs	\$117,345	\$173,440	47.8%
Reserve for Refunds	\$1,836,440	\$1,296,559	-29.4%
UCCSN Endowment Fund*	\$18,624,778	\$12,274,118	-34.1%
Fund for School Improvement	\$18,624,778	\$12,274,118	-34.1%
TOTAL	\$39,203,341	\$26,018,235	-33.6%

**Legal Reference(s):** Chapter 375A, *Nevada Revised Statutes*

Note: The *Economic Growth and Tax Relief Reconciliation Act of 2001* (H.R. 1836) reduces the state death tax credit by 25 percent from present law amounts in 2002, by 50 percent from present law amounts in 2003 and by 75 percent from present law amounts in 2004. Nevada will also lose revenue because of changes to the estate tax exemption, which increases from \$675,000 in 2001 to \$1 million in 2002 and to \$1.5 million in 2004. In 2005 the state death tax credit is repealed, meaning that there will be no Nevada estate tax applicable to the estate of persons who die after December 31, 2004. However, because of delays in the settling of estate tax obligations, Nevada will continue to collect some tax revenue for another year or more.

\*S.B. 415 of the 2003 Legislative Session eliminated the provision in NRS 375A.705 requiring UCCSN to retain a principal balance in the estate tax account sufficient to yield income of \$2.5 million per year. S.B. 415 allows all estate tax funds to be expended and provides for monthly estate tax transfers to the General Fund of \$3.82 million in FY 2003-04 and \$3.62 million in FY 2004-05.

## ROOM TAX

### Collection:

**Administration:** Counties and Cities.

**Procedures:** Imposed on the gross receipts from the rental of transient lodging. The person providing the transient lodging is responsible for payment of the tax whether or not it is collected from the paying guest. Schedules for payment of the tax must be developed by the respective governing bodies.

**Rate:** 2% of the gross receipts in counties with a population in excess of 400,000. 1% in all other counties.

### Distribution:

**Recipient(s):** Three-eighths of 1% of the tax revenues are transferred to the Department of Taxation and deposited in the state Fund for the Promotion of Tourism, which supports the operation of the state Commission on Tourism. In counties with a population of 400,000 or less, five-eighths of 1% of the revenues are deposited to the respective county fair and recreation boards or, if no such board exists, with the governing body that collected the tax to be used only for the promotion of tourism. In counties with a population in excess of 400,000, 1 5/8% is to be used for capital projects of the school district.

<b><u>Revenue:</u></b>	<b><u>FY 2002-2003</u></b>	<b><u>FY 2003-2004</u></b>	<b><u>% Change</u></b>
State Tourism	\$11,875,153	\$13,305,506	12.0%
Local Tourism	\$2,511,689	\$2,615,836	4.1%
School Capital Projects	\$44,370,723	\$51,587,682	16.3%
TOTAL	\$58,757,565	\$67,509,024	14.9%

**Legal Reference(s):** NRS 244.3352 et seq;  
NRS 268.096 et seq.

NOTE: Counties and cities impose additional room taxes at various rates and for various purposes.

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# **III. TAX LEGISLATION HISTORY**

**1979 to 2003**

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## **TAX LEGISLATION HISTORY**

This section reviews the major tax changes approved by the Legislature since 1979, and the significant features of the Governor's revenue plan for the next biennium.

### **1979 TAX REDUCTION**

The late 1970's witnessed a growing taxpayer revolt across the nation. The Nevada revolt was embodied in Question 6, a constitutional initiative to severely restrict property taxes. The ballot question, which won considerable voter support in 1978, appeared headed for passage and enactment in 1980 if the Legislature failed to act. To respond to the taxpayer complaints, the Legislature approved a tax-relief package of its own. As a result, Question 6 was defeated by the voters in 1980. The legislative package provided across-the-board property tax relief by statutorily lowering the \$5 constitutional maximum rate to \$3.64 per \$100 of assessed valuation. The following levies were eliminated:

State Levy	.25
County Medicaid Levy	.11
Mandatory School Levy	.70
Optional School Levy	<u>.30</u>
Total Rate Relief	\$1.36

The Legislature further reduced property taxes by exempting household personal property from taxation.

The third part of the Legislature's tax reduction package provided for the elimination of sales taxes (2¢ State Sales Tax, 1¢ Local School Support Tax and ½¢ City-County Relief Tax) on food for home consumption. This measure was approved by voter referendum on June 5, 1981. The Legislature, because of the state's large surplus, replaced the local and school revenues that were lost because of the tax reduction package with state funds. In addition to the tax reductions, the Legislature tried to provide ongoing tax relief by limiting the growth of local government expenditures and the amount of property taxes that a school district may levy. The expenditure limitation proved ineffective as local governments moved resources into different funds to avoid the expenditure caps.

## **1981 TAX REFORM**

Problems with taxation continued to be in the forefront as the 1981 Legislature convened. Property owners were still dissatisfied with property taxes because of the skyrocketing inflation of assessments, the five-year assessment cycle and questionable assessment practices. At the same time, however, the state was finding itself unable to continue property tax relief at the current level. In addition, the cap on schools proved more restrictive than intended. Faced with these contradictory problems, the Legislature, with the backing of the Governor, implemented a tax reform package with the following features:

1. The Local School Support Tax (sales tax) was increased from 1¢ to 1.5¢ to provide new revenue to reduce the needed amount of state appropriation to the Distributive School Account.
2. Additional taxes on gaming were enacted to provide new state resources for schools.
3. The limitation on school districts' optional ad valorem levy was repealed and the levy was made mandatory at 50¢ per \$100 of assessed valuation.
4. As part of a tax shift, the City-County Relief Tax (sales tax) was increased from .5¢ to 2.25¢. The proceeds from the new Supplemental City-County Relief Tax (SCCRT) were used to replace property taxes of local governments on a dollar-for-dollar basis.
5. To make the tax shift possible, the Legislature established a formula recognizing historic taxing effort, CPI changes and growth in assessed valuation to determine how much "basic ad valorem revenue" an entity would receive if there were no replacement program. Any amount of "basic ad valorem revenue" remaining after replacement with the SCCRT could be raised through an ad valorem tax. Growth in ad valorem taxes, however, was limited to 4.5 percent per year on existing property.
6. A cap determined by changes in the CPI was placed on fees for licenses and permits and service charges of local governments.
7. To provide a measure of flexibility, an Interim Legislative Committee on Local Government Finance (duties were later delegated to the Interim Finance Committee) was established and given limited authority to approve overrides to the caps. Also, ad valorem increases could be approved by the voters.
8. Assessment procedures were significantly modified. Formulas were developed to bring the assessed values of all property to comparable "adjusted cash value" levels for fiscal year 1981-82. Annual factoring of property between periods of physical appraisal was required. Improvements to real property were required to be valued at replacement cost less depreciation rather than market value.

The legislation approved in 1981 provided for the "sunsetting" of the additional gaming taxes and the increases in the Local School Support Tax and the City-County Relief Tax.

## **1983 TAX PACKAGE**

The 1983 Legislature was faced with two major problem areas regarding state and local government revenues. First, the economic recession that began in early 1981 affected the state's economy much more quickly and much more severely than anticipated, resulting in "shortfalls" in expected revenues for the state and most local governments. The most severely affected sources were sales tax and gaming revenues, which are major revenue sources for the state and local governments and the school districts. Second, problems surfaced in the application of previous legislation that limited state and local governments' ability to generate and allocate revenue. The 1983 Legislature addressed the revenue "shortfall" and the various other problems by adopting over 20 revenue related bills.

1. The Legislature's first task was to restore the state's cash balance during fiscal year 1985. This was accomplished by reappropriating a loan for post-retirement increases back to the General Fund, repaying an advance made to the Highway fund, reverting School Construction fund monies and accelerating gaming tax payments by changing the payment schedule from a quarterly to a monthly basis. The latter measure provided the state General Fund with a one-time payment of almost \$25 million.

The Legislature also assisted financially-strapped school districts through direct appropriations and a one-month advance crediting of the Local School Support Tax.

2. To increase revenue for state and local governments and schools during the 1983-85 biennium, the Legislature approved the continuation of revenue increases enacted in 1981, which were due to sunset on July 1, 1983. These included:
  - a) Local School Support Tax @ 1.5 percent instead of 1.0 percent.
  - b) City-County Relief Tax @ 2.25 percent instead of 0.5 percent.
  - c) Gaming Percentage Fees @ 5.75 percent instead of 5.5 percent on casinos with gross gaming revenue over \$400,000 per quarter (for state General Fund).
  - d) Slot Machine Fees on Restricted Licenses were increased from \$25 per quarter per machine to \$35 for licenses with at least one but not more than five slot machines and \$55 per quarter per machine for licenses with at least six but not more than 15 slot machines.
  - e) Slot Machine Fees on unrestricted licenses @ \$20 per quarter per slot machine instead of \$10 (for state General Fund).
3. The Legislature approved the following new revenues and revenue enhancements for the state General Fund, school districts and other functions.



a) <u>General Fund</u>	<u>FY 1984</u> (000's)	<u>FY 1985</u> (000's)
Alcoholic Beverage Tax Increases	\$1,413	\$1,480
Cigarette Tax - 5¢	4,930	6,504
Tax on Other Tobacco Products	834	1,075
Soft Drink Tax - 5% of Wholesale	632	1,000
Accelerated Collection of Insurance Premium Tax	6,042	-0-
Insurance Premium Tax - Increase 2% to 3%	8,093	8,042
Jet Fuel Tax - 1¢ Per Gallon	1,538	1,667
Various Gaming Fee Increases	520	520
Secretary of State Fee Increases	2,190	1,830
Supreme Court Fee Increases	60	61
Divorce & Civil Action Fee Increases	364	494
Insurance Fee Increases	712	739
5¢ State Property Tax	5,354	2,477
Annual Slot Tax Transfer to General Fund	5,000	5,000

Collectively, these measures provided more than \$65 million to the state General Fund over the 1983-85 biennium.

b) School Districts

A 25¢ Property Tax for Schools was initiated which provided an additional \$58 million for schools for the 1983-85 biennium.

c) Other Functions

- (1) Administrative Assessment of \$10 on Misdemeanor Convictions.
- (2) State Lodging Tax of 1 Percent.
- (3) Property Tax of ¾¢ per \$100 of Assessed Valuation for the Indigent Accident fund.
- (4) Increased Fees for Drivers' Licenses.

These various measures raised revenues for such things as administration of the courts, education of law enforcement personnel, promotion of tourism, hospital care for indigents injured in automobile accidents and operations of the Department of Motor Vehicles.

4. The Legislature provided that many of the revenue enhancements enacted in 1983 were to sunset on July 1, 1985.

## **1985 TAX PACKAGE**

The 1985 Legislature began the 63rd Session with a recovering economy and an anticipated state General Fund surplus for the 1983-85 biennium of \$154 million. However, the Legislature faced an Executive Budget for the 1985-87 biennium that proposed an additional \$114 million in educational spending and was dependent upon the continuation of several revenue sources scheduled to sunset. After reviewing the budget, the Legislature also found several areas which required additional funding including prisons, higher education and Aid to Dependent Children.

The Legislature was further approached by local governments that faced a number of financial problems beyond their control, such as the rising cost of indigent care and relief from natural disasters, primarily floods and range fires. Also, the local governments were unable to generate sufficient local revenues in some cases because of technical problems in the application of local government revenue caps. The 1985 Legislature addressed these issues by adopting over 30 revenue related bills.

Sunsets, which would have reduced revenue considerably, were repealed on gaming fees, accelerated tax payments and tax increases on cigarettes, other tobacco products, beer, wine and cordials.

Also, the sunset on the insurance premium tax increase was extended for two years. Other revenue measures included the re-imposition of the 2-cent state property tax for bond redemption, increases in taxes and fees related to motor vehicles and new Secretary of State fees on limited partnerships.

Two revenue increasing measures, the Sales and Use Tax on governmental contractors and an estate tax, were approved by the voters at the November 1986 election.

The Legislature provided tax relief in some instances. One bill designed to enhance economic development allowed certain buyers to make deferred sales tax payments without interest. Two ballot questions allowing sales tax exemption for the purchases of certain aircraft and aircraft components and certain prosthetic and other medical devices were also passed in the November 1986 election. Also passed at that election was a constitutional amendment to eliminate the taxation of bank shares.

Various local governments were provided exemptions from local government revenue caps in the area of health and public safety for indigent medical care, a computerized fingerprint system, emergency telephone systems, flood control and water districts.

Finally, technical modifications were made to existing statutes in areas such as motor vehicle appraisal for sales tax purposes, the distribution of a Supplemental City/County Relief Tax Reserve fund, the method of taxing cigarettes, the uses of the Mass Transit Tax, tax parity between towns receiving identical services and the imposition of the optional 1-cent County Motor Vehicle Fuel Tax.

## **1987 TAX PACKAGE**

The 1987 Legislature began the 64<sup>th</sup> Session with an economic situation in the state that had not shown the degree of improvement that was evident at the start of the 1985 Session. Further, there had been dramatic increases in the population and subsequent demand for governmental services that resulted in the Governor proposing spending increases in several areas.

The Legislature was also forwarded, from the Legislative Commission's subcommittee to study the funding of counties and cities in Nevada, a 16-bill legislative package that consisted of 6 bills regarding local government revenues, 7 bills regarding local government expenditures and 3 bills pertaining to fiscal administration.

The 1987 Legislature adopted 44 significant revenue-related bills. New sources of revenue included an acceleration of the collection of and an advance payment of taxes on the net proceeds of mines coupled with a constitutional amendment that would allow for increased tax rates on the net proceeds of mines. The Legislature also adopted new fees on securities, license plates, radioactive waste and imposed the federal estate pickup tax approved by the voters at the last general election.

Other revenue sources that were either extended or increased include the statewide property tax for bond redemption, increases in gross gaming and restricted slot fees, the extension of the increase in the insurance premium tax, increases in the fees paid by insurance agents and brokers and increases in fees related to highways and Highway Patrol activities.

The Legislature also provided for exemptions from taxes on retail sales in several instances. Exemptions were granted for eyewear and used farm machinery when used as a trade-in. Further, with voter approval of the 1988 election, exemptions were provided for materials loaned or donated to tax-free organizations, 40 percent of the price of new mobile homes, and 100 percent of the price of previously taxed, used mobile homes.

Local governments were allowed to enhance their revenue generating capability primarily in three ways. First, the methods of calculating maximum combined allowable revenues for local governments were changed to allow for increased revenue generating capabilities; second, specific programs such as medically indigent, prison operations and police functions were allowed to be funded; and, third, certain fees were allowed to be increased.

The Legislature also made technical changes to existing statutes in the areas of property taxes, maximum combined allowable revenue, tax increment areas and assessment standards and practices.

## **1989 TAX PACKAGE**

The 65th Session of the Legislature convened with the state economy in excellent condition. Economic growth since the end of the 1987 session had been greater than expected and, as a result, the state government and most local governments were fiscally sound. Nevertheless, the booming economy gave rise to rapid population growth, which, in turn, has increased the demand for education and many other government services.

To help meet those demands, The Executive Budget for the 1989 biennium called for increased General Fund spending in many areas, including education, drug abuse, and mental health and mental retardation programs. To support the additional spending, the budget called for higher mining, cigarette and insurance premium taxes as well as increases in corporate license, securities registration and state engineer fees.

The Legislature was also confronted with a problem arising from the state's method of taxing interstate and intrastate motor carriers. A pending lawsuit may have resulted in Nevada's highway funding system being declared unconstitutional. This created a potential loss of millions in both future road revenue and tax repayments to certain motor carriers.

In addition to the state budget proposals and the highway funding dilemma, the Legislature was faced with local government demands to revise the SCCRT distribution mechanism, relax property tax limitations, improve funding for indigent care and provide additional sources of funding for local roads. Also, the Legislature was presented five bills from an interim study on the incorporation of cities, several of which affected local government finances.

The Legislature generally adopted the Governor's revenue proposals with some minor changes. To solve the highway funding problem, the Legislature simplified the tax and fee system to ensure that a fair burden was placed on both interstate and intrastate truckers.

The Legislature met the local government demands for more flexibility through a thorough revamping of the tax and fee limitation formulas and revisions to the SCCRT distribution mechanism. The indigent care problem was addressed by the imposition of and authorization for higher local property taxes. Road needs were met by allowing local governments to raise gasoline taxes if approved by the voters. The Legislature also adopted, with some revisions, the bills from the interim study affecting the incorporation of cities.

## **1991 TAX PACKAGE**

The 1991 Session of the Legislature began with the U.S. economy in the midst of its first recession since 1982. State government revenue growth was already slowing considerably at the start of 1991 and would become almost flat through the spring of the year.

While this was still a better performance than most other states encountered, the Legislature was met with Executive Budget proposals to increase funding in many areas, principally for education, including significant class-size reduction in the first through third grades. Also proposed were funding increases for drug abuse treatment, transportation, senior citizens, environmental and public safety programs.

To fund his new initiatives which were to be supported by general fund sources, the Governor proposed repealing the sunset on the cigarette tax increase, enacting a business activity tax based on payroll and a business license fee based on gross receipts, and applying gaming percentage fees to slot route operators.

In addition to the state budget proposals and the need to provide adequate funds for state highways, the Legislature was confronted with several local government tax policy questions. The most important were Clark County's proposal to fund its master transportation plan and the continuing "fair share" issue regarding the distribution of supplemental city-county relief tax (SCCRT) revenues.

The Legislature generally supported the Governor's budgetary proposals but rejected much of the means he had proposed to fund them. In addition, the rapidly deteriorating revenue picture made it necessary to find revenues above the new amounts proposed by the Governor. The final tax package consisted primarily of the repeal of the sunset of the cigarette tax increase, an increase in the local school support tax of  $\frac{3}{4}$  percent and the adoption of a new business license tax which averaged about \$25 per employee per quarter.

To help meet the growing transportation needs of the state, the Legislature increased motor vehicle and special fuel taxes and registration and driver's license fees. The Legislature generally adopted the Clark County Master Transportation Plan proposals and made them applicable throughout the state if approved by the local voters. To resolve the "fair share" question, the Legislature also instituted a new SCCRT distribution formula to return most of the proceeds to the county where the taxes were paid. This bill, which substantially reduced the revenues going to Washoe County, also allowed that county and several others to impose new taxes to make up for any revenue loss due to the provisions of the bill.

## **1993 TAX LEGISLATION**

The 1993 Legislative Session began with the U.S. economy continuing a slow recovery from the 1990-91 recession and with state tax revenues beginning to demonstrate a clear pattern of positive growth. As the session proceeded, sales and gaming tax collections continued to improve, but a cautious outlook for the 1993-1995 biennium remained.

The Governor sent the 1993 Legislature an Executive Budget that generally held the line on spending, providing significant funding increases only for K-12 education and Medicaid. This conservative approach limited the need for any general tax increases, although the budget did include several revenue raising proposals to ensure that the 1993-1995 budget was adequately funded.

A major element of the Governor's revenue proposals was a revision to the Medicaid Hospital Tax Program that conformed to the stricter federal requirements and provided all but \$20 million of the amount earned from the program during the 1991-93 biennium. Though not a General Fund revenue source, the Medicaid Hospital Tax Program reduces the amount of General Fund appropriations that would otherwise be required.

For the General Fund, the Governor proposed that: insurance premium taxes be prepaid, a fee on the gross gaming revenue from restricted slot operators be imposed, the state commission for the collection of local sales taxes be made uniform at one percent, real estate fees be increased, revenue allocated to a mining trust fund be reverted and certain telemarketing fee revenue be transferred. The Governor also proposed revenue-neutral changes to the business license tax that would provide an exemption for all firms with four or fewer employees, eliminate the tax cap for the largest employers and institute a flat \$25 per employee per quarter rate on all taxable employees.

The Legislature adopted the Governor's revenue plan with some modifications and a few relatively minor enhancements. The proposals for the Medicaid tax, the prepayment of insurance premium taxes, higher state sales tax commissions, real estate fees and the mining tax reversion were adopted largely as proposed. The Legislature revised the Governor's business tax proposals by eliminating the proposed exemption for certain small employers to raise additional revenue and by adopting a full-time employment equivalency basis for imposing the tax. The proposal for a percentage fee on restricted slot operations was replaced by a smaller revenue increase from higher fees on restricted slots. The Legislature trimmed the Governor's plan to use some telemarketing fees for the General Fund and increased state engineer, land company, uniform commercial code and limited partnership fees to raise additional revenue. The Legislature also imposed a new excise on short-term vehicle rentals that was not included among the Governor's proposals.

In addition to the measures increasing state revenue, the Legislature also provided additional revenue options for local governments, made numerous technical and administrative changes that affect state and local government revenue efforts and enacted several measures that may provide exemptions and exclusions for certain taxpayers.

## **1995 TAX LEGISLATION**

The 1995 Legislature convened with the U.S. economy completing its fourth year of expansion and the Nevada economy continuing to boom largely as a result of the development and opening of the so-called “mega-resorts” in the Las Vegas area. With several new resorts planned for the Las Vegas area and the construction of the Silver Legacy in Reno, there was little evidence that an economic slowdown would occur during the 1995-1997 biennium. This assessment was largely confirmed by the relatively healthy General Fund revenue forecast submitted to the Governor and the Legislature by the Nevada Economic Forum (Economic Forum), the group created by the 1993 Legislature to remove political considerations from the revenue estimating process.

As a result of this favorable outlook, the General Fund portion of The Executive Budget for the 1995-1997 biennium was fully contingent on the existing revenue structure. Benefiting from a large budgetary surplus and relying on the Economic Forum forecast for the biennium, the Governor proposed no tax or other revenue change that would increase or decrease General Fund revenue. The Executive Budget did include several modest proposals affecting non-General Fund revenues.

Three separate interim studies (SCR. 43, ACR. 47 and A.B. 378) dealing with tax issues submitted recommendations to the 1995 Legislature that would affect both General Fund and non-General Fund revenues. Several of these proposals were adopted in some form by the 1995 Legislature and are identified and discussed later in this section.

The Legislature, after identifying reductions in the projected caseload of the ACD and Medicaid programs and receiving upwardly revised revenue forecasts from the Economic Forum, was able to stray from the Governor’s status quo revenue plan by suspending the prepayment of the Insurance Premium Tax and by approving several tax exemption and economic development incentive bills. Most of the revenue effects of the tax exemption and incentive legislation will not be fully felt until the 1997-1999 biennium.

The Legislature also eliminated the prepayment of net proceeds taxes but designed the plan to minimize any revenue loss. Also approved was a measure to move the collection of the tax on diesel fuel from the retail to the terminal level. This bill is expected to increase highway fund revenues without a tax increase because of improved compliance and enforcement. The Legislature approved no tax increases and only a few fee increases.

In addition to the actions noted above, the Legislature provided a few specific revenue changes for certain local governments and made several technical and administrative changes to the tax laws.

## **1997 TAX LEGISLATION**

As the 69th Session of the Nevada Legislature convened in January, Nevada continued to lead the U.S. in economic growth and maintain the strong economic performance evident at the end of the 1995 Legislative Session. With a backdrop of national prosperity marked by the lowest inflation, unemployment rates and federal budget deficits since the 1960s, the state revenue picture, as confirmed by the forecasts of the Economic Forum, was bright. Another factor tempering support for significant tax changes was a new constitutional provision requiring two-thirds approval of both houses of the Legislature to increase revenue. As a result, the General Fund portion of The Executive Budget contained no major tax proposals for the second consecutive biennium.

Many of the most significant tax-related issues in the 1997 Session were recommendations from interim legislative studies and local officials. For example, the SCR 40 interim subcommittee proposed legislation to dramatically revise the intra-county distribution of various local revenues. Similarly, the Southern Nevada Water Authority, with the concurrence of other Clark County government officials and concerned parties, proposed an increase in the county sales tax of ¼ percent to help pay for additional water delivery and wastewater facilities.

In addition, although the Governor's budget did not propose repeal of the prepayment of insurance premium taxes that was due to take effect in January 1998 and which would produce a one-time revenue gain of nearly \$50 million, it did provide enough ending fund balance to accommodate such repeal. After initially reviewing The Executive Budget, the Legislature quickly adopted legislation to repeal the prepayment while changing the payment schedule to require that the payments be made based on actual premium volume. This change reduced the revenue loss by several million dollars.

Ultimately, much of the Legislature's work on taxes during the 1997 Session focused on the needs of local governments which have been driven by the rapid growth throughout most of the state. The Legislature adopted the SCR 40 plan to pool many local government revenues at the county level and distribute them to the eligible local governments within the county based on a formula tied to the growth in assessed valuation and population. The Legislature further ratified the work of the SCR 40 Subcommittee by reauthorizing it as a statutory committee until July 1, 2001.

The Legislature authorized the additional ¼ percent sales tax for water infrastructures in Clark County and extended additional sales tax authority to all other counties for their particular infrastructure needs. To help meet the burgeoning needs for more school facilities in Clark County, the Legislature approved an additional one percent room tax and increased the real property transfer tax by 60 cents per \$500 of value in that county and earmarked the revenue for school infrastructures. The same bill also established a state role relating to school facilities by creating a temporary state planning commission for the new construction, design, maintenance and repair facilities and appropriating \$300,000 to allow the commission to evaluate the need for improvements to school infrastructures throughout the state.

In addition to the actions cited above, the Legislature adopted a new tax incentive to encourage economic diversification and made various other changes affecting state and local revenues.



## **1999 TAX LEGISLATION**

As the 70th Session of the Legislature began, the Nevada economy continued to lead the United States in economic growth. Indicators such as personal income, population, job growth and the unemployment rate have remained near the top of the national rankings. Recently, however, this strong economic performance has not been accompanied by comparable gains in state General Fund revenue. This revenue weakness was reflected in the December 1, 1998, forecast of the Economic Forum, which saw total General Fund revenues for fiscal year 1998-99 that were \$87 million less than the amount projected by the Economic Forum in April 1997. Although the Economic Forum increased this forecast in its April 1999 review, the Economic Forum's forecasts for the 1999-01 biennium accommodated only a modest increase in General Fund spending.

Despite the demands that Nevada's economic growth continues to put on education and other service areas supported by the state, The Executive Budget proposed to fund those needs almost entirely from the revenue stream forecast by the Economic Forum. The budget included only two minor changes to the General Fund picture, both of which were approved by the Legislature. First, approximately \$2.6 million that had accrued to the permanent net proceeds fund was redirected to the General Fund in FY 1998-1999. In addition, future allocations to that fund were eliminated, adding about \$700,000 per year to General Fund revenues. Second, the General Fund commission for the collection of local sales taxes was set at 0.75 percent instead of 0.5 percent on July 1, 1999. This change adds more than \$7.5 million to General Fund revenues during the next biennium.

The Governor's veto of a minor fee increase early in the session eliminated the potential for other changes that would increase state taxes. As a result, only a handful of bills, including those discussed above, that affected state revenues were approved. Included in this category was a bill that will transfer the collection of gasoline taxes to the Department of Motor Vehicles and Public Safety and move the collection point of the tax to the terminal-rack level. Other bills approved make it easier for Nevadans to import wine for personal consumption, outlaw the sale of so-called "gray market" cigarettes in Nevada, and require cigarette manufacturers who have not signed the master settlement agreement to put money into an escrow account based on the number of cigarettes they sell in Nevada.

Most of the significant tax-related issues considered during the 1999 Legislative Session affected local government revenues and were the result of recommendations from legislative study committees, local officials or other interested parties. For example, the standing committee created pursuant to S.B. 253 of the 1997 Session, had recommended 13 bills having an effect on the finances of local governments. One recommendation from that study that was passed allows the \$3.64 property tax cap to be exceeded in certain jurisdictions under very limited circumstances, while another prohibits one local government from "buying down" the tax rate of another to bring the combined rate within the statutory rate limit. The Legislature also approved a S.B. 253 recommendation that standardizes the eligibility requirements for tax exemptions for economic development. In addition to approving most of the S.B. 253 BDRs, the Legislature approved other legislation including an increase in the room tax in Washoe County and substantial changes to the property and sales tax exemptions for the public display of fine art.

## **2001 TAX LEGISLATION**

The 2001 Session of the Legislature convened with clouds across the economic horizon. Stock values had been dropping, most severely in the high-tech sector, and various economic indicators were reflecting that a U.S. recession was a strong possibility. In addition, an energy shortage in California threatened to adversely affect the economies of western states.

The Governor's budget was predicated on modest General Fund revenue increases forecasted by the Economic Forum. No General Fund revenue increases were proposed, although the Legislature adopted two non-General Fund revenue enhancements included in The Executive Budget. The first, A.B. 134, increased fraud assessments on insurers. The bill produces about \$359,500 in additional revenue annually, of which \$263,000 was used to fully fund the Attorney General's Insurance Fraud Unit. The remaining additional revenue was used to replace a portion of General Fund support for insurance regulation. The second measure, A.B. 199, doubled the Trout Stamp fee to \$10. The additional revenue was used to repay \$3.5 billion in bonds to be issued to rehabilitate fish hatcheries.

The modest General Fund revenue forecast used in The Executive Budget ultimately proved too optimistic. The Economic Forum's May 1 revisions reduced projected General Fund revenues by \$121.4 million during the 2001-03 biennium. After receiving the reduced revenue numbers, the Legislature approved three General Fund revenue enhancements to replace approximately \$64.9 million of that "shortfall" over the biennium.

The bills providing revenue increases include A.B. 77 and S.B. 489, which shorten the period that certain property is considered unclaimed and remitted to the state. These bills were expected to produce an estimated one-time increase in revenues of approximately \$8.3 million in FY 2001-02. S.B. 577 was designed to provide an additional \$29 million during the biennium through increases in a variety of fees on business transactions handled through the Secretary of State's office. Finally, A.B. 460 increased the state's share of the car rental fees to a full six percent rate and provided for quarterly rather than annual payment of those fees. This measure was estimated to generate an additional \$27.5 million for the state General Fund this biennium.

Because of concerns over the state's long-term revenue picture, the Legislature approved ACR 1 at the 17<sup>th</sup> Special Session. This resolution created the Governor's Task Force on Tax Policy during the interim. In addition, a number of bills affecting local government finances were passed during the 2001 Session and the 17<sup>th</sup> Special Session, including several that contain recommendations from the Legislative Committee Studying the Distribution of Revenue Among Local Governments (S.B. 253 of the 1997 Session). One of those bills, S.B. 557, extends the authority of the committee through June 30, 2005 and renames it the Legislative Committee for Local Government Taxes and Finance to better recognize the committee's areas of study.

In addition to the bills affecting state revenues and local government finances, the Legislature also approved numerous technical tax law changes and continued to revise tax exemptions in 2001. As the regular and special sessions concluded, state and national economic performance remained sluggish, and the first recession since 1991 was underway.

## **2003 TAX LEGISLATION**

In May 2003 the Economic Forum forecast modest increases of 4.5 and 5.0 percent in General Fund revenues for FY 2003-04 and FY 2004-05, respectively, from a FY 2002-03 base that was considerably reduced from the Economic Forum's May 2001 projections. With these revised forecasts, overall revenue growth would remain far below the combined effects of population growth and inflation since FY 2000-01. The Executive Budget proposal and various alternative revenue enhancement plans to support the Governor's budgetary recommendations proved to be the most debated and controversial issue for the Legislature, not only during the 72<sup>nd</sup> Regular Session, but through the 19<sup>th</sup> and 20<sup>th</sup> Special Sessions as well.

The revenue package to support the General Fund appropriations was ultimately adopted at the conclusion of the 20<sup>th</sup> Special Session of the Nevada Legislature, which ended on July 22, 2003. The three bills approved to raise the revenue, A.B. 4 and S.B. 2 and 8, included several of the elements contained in the revenue proposal submitted in January by the Governor. Nevertheless, the final funding plan also differed from the Governor's revenue proposal in many important details.

One of the Governor's proposals that was not approved by the Legislature was bridge revenues to help balance the FY 2002-03 budget. Instead, the Legislature approved the transfer of \$135 million from the Rainy Day fund, which represented almost the entire balance of the fund and \$85 million more than was recommended by the Governor. The increases in cigarette and liquor taxes and restricted slot fees recommended by the Governor to take effect in April were included in S.B. 8, but their effective dates were delayed by more than three months because the bill was not approved until the latter part of July 2003.

S.B. 8, which encompasses more than 90 percent of the revenue package, includes the annual Business License fee and a Live Entertainment Tax. The Governor's proposals for a state property tax and a gross receipts tax were not adopted. In their place, the revenue needs for the 2003-05 biennium and future biennia were met with a combination of a real estate transfer tax, a modified business tax and a larger gaming tax increase than was proposed by the Governor. The enactment of a modified business tax, in the form of a payroll tax with a special higher rate on financial institutions and a deduction for costs of providing medical coverage for employees, also resulted in the repeal of the state business license tax.

The remaining two bills, A.B. 4 and S.B. 2 are estimated to provide about \$75 million in revenue over the 2003-05 biennium through reductions in tax payment and collection allowances for liquor, cigarette, other tobacco and sales taxes and higher fees on commercial recordings and securities collected through the Secretary of State's office.

Although the bills to support the General Fund spending plan were the most significant legislation considered in 2003, the Nevada Legislature approved numerous other bills that have an effect on the state's tax system. Additional information concerning the three revenue bills is covered in the remainder of this section.

## **STATE REVENUE BILLS**

S.B. 8 of the 20<sup>th</sup> Special Session includes the key components of the Legislature's revenue package to support General Fund appropriations. The key components include:

- A modified business tax for businesses other than financial institutions
- A modified business tax for financial institutions
- An excise tax on bank branch offices
- An annual business license fee
- An increase in taxes on gross gaming revenue and restricted slot operations
- An increase in cigarette taxes
- An increase in liquor taxes
- A tax on live entertainment
- An increase in the real property transfer tax

**Modified Business Tax for Businesses other than Financial Institutions** - The Legislature imposed a new tax of 0.7 percent on gross wages paid effective October 1, 2003. The rate lowers to 0.65 percent on July 1, 2004. The Legislature authorized employers to deduct from gross wages on a dollar-for-dollar basis amounts paid for health insurance or health benefit plans. Employers other than financial institutions, Indian tribes, nonprofit organizations and political subdivisions are required to pay the tax on gross wages if they are required to make a contribution for unemployment insurance pursuant to NRS 612.535.

**Modified Business Tax for Financial Institutions** – The Legislature imposed upon financial institutions a new tax of 2 percent on gross wages paid effective October 1, 2003. Financial institutions are also authorized to deduct from gross wages on a dollar-for-dollar basis amounts paid for health insurance or health benefit plans. For the purposes of the new tax, a financial institution includes banks, savings and loan institutions, installment loan companies, debt adjusters, thrift companies, check-cashing and deferred deposit service providers, mortgage companies, brokers and agents and collection agencies. The tax must also be paid by financial services providers, including security and commodity brokers, dealers, exchanges and services and holding and other investment offices. Credit unions are specifically exempt from the requirement to pay the tax.

**Excise Tax on Bank Branch Offices** – The Legislature imposed a new excise tax on each bank at the rate of \$1,750 for each branch office in excess of one maintained by the bank in Nevada effective January 1, 2004.

**Business License Fee** – The Legislature replaced the current one-time \$25 licensing fee for businesses with a \$100 annual licensing fee effective July 22, 2003. Sole proprietors are required to pay the annual fee unless the proprietor operates the business from his home and earns from that business not more than 66 2/3 percent of the average annual wage for the preceding calendar year.

**Gross Gaming and Restricted Slot Taxes** – The Legislature increased the current tax rate on gross gaming revenue of nonrestricted gaming licensees by 0.5 percent effective August 1, 2003, and increased the fee for the operation of slot machines in restricted gaming locations by 33 percent effective July 22, 2003.

**Cigarette Taxes** – The Legislature increased the current tax on cigarettes by 45 cents per pack of 20 cigarettes from 35 cents per pack to 80 cents per pack of 20 effective July 22, 2003. A total of 70 cents per pack of twenty cigarettes is deposited to the state General Fund, with the remaining 10 cents allocated to local governments.

**Liquor Taxes** – The Legislature increased the current tax on intoxicating liquors by 75 percent effective August 1, 2003. The table below provides a comparison of the former and current tax rates on the various types of intoxicating liquors:

**Intoxicating Liquor Tax Rates Per Gallon**

Liquor Type	Old Rate	New Rate	Difference
Beer or Other Malt Beverage	\$0.09	\$0.16	\$0.07
Wine (0.5-14% Alcohol)	\$0.40	\$0.70	\$0.30
Liqueurs & Wines (14-22% Alcohol)	\$0.75	\$1.30	\$0.55
Hard Liquors (Over 22% Alcohol)	\$2.05	\$3.60	\$1.55

**Live Entertainment Tax** – The Legislature imposed a new excise tax on admission to any facility where live entertainment is provided at the following rates:

- If the maximum seating capacity of the facility is less than 7,500, 10 percent of the admission charge and 10 percent of any amounts paid for food, refreshments and merchandise purchased at the facility.
- If the maximum seating capacity is 7,500 or more, 5 percent of the admission charge to the facility.

Live entertainment provided at a nongaming establishment is exempt from the tax if the facility in which the entertainment is provided has a maximum seating capacity of less than 300. Live entertainment provided at a gaming establishment licensed for less than 51 slot machines, less than six games or any combination of slot machines and games within those respective limits is also exempt if the facility in which the entertainment is provided has a maximum seating capacity of less than 300. Entertainment provided by nonprofit organizations and boxing contests or exhibitions are also exempt from the requirement to pay the tax.

The new Live Entertainment Tax was effective January 1, 2004. The Legislature revised the current casino entertainment tax to eliminate certain exemptions effective during the period between September 1, 2003, and December 31, 2003. The current casino entertainment tax was repealed effective January 1, 2004, when the Live Entertainment Tax became effective.

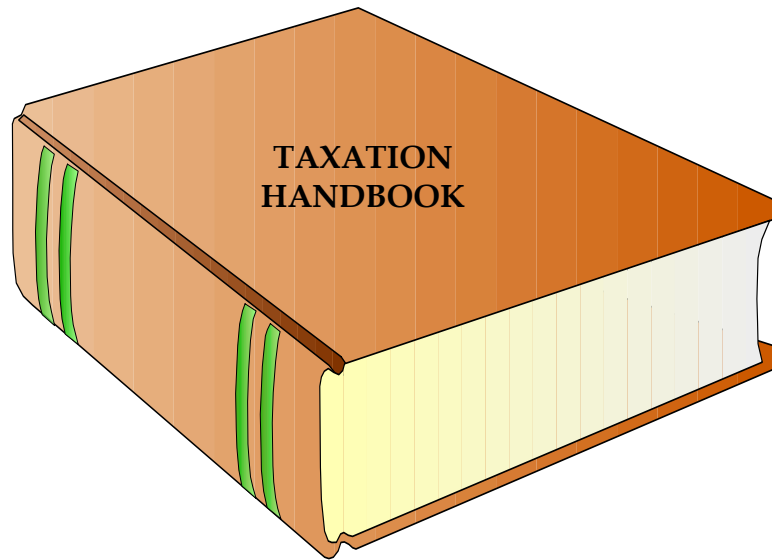
**Real Property Transfer Tax** – The Legislature imposed a new state tax on the transfer of real property at the rate of \$1.30 of each \$500 of value effective October 1, 2003.

A.B. 4 of the 20<sup>th</sup> Special Session reduced the allowances for the collection of sales and use taxes and taxes on intoxicating liquor, cigarettes and other tobacco products to 0.5 percent of the amount collected and increased by 100 percent the fees for the privilege of selling securities in Nevada.

S.B. 2 of the 20<sup>th</sup> Special Session makes various changes to the filing requirements for business entities, adds new provisions concerning foreign business entities doing business in Nevada, provides for the creation of a new type of business entity, the limited-liability limited partnership, and makes various other changes pertaining to business entities. The bill includes the creation of new filing fees for business entities and increases various existing filing fees by various amounts. Finally, the bill incorporates into the Nevada Revised Statutes certain fees pertaining to securities that are currently established by administrative regulation and set forth in the Nevada Administrative Code and doubles the current amount of those fees.

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# IV. TAXATION INFORMATION





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# **TAXATION INFORMATION**

## **A. TAX GLOSSARY**

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## **TAX GLOSSARY**

### **AD VALOREM:**

“According to Value.” The property tax imposed as a percentage of value.

### **AGRICULTURAL PROPERTY:**

Land devoted for at least three consecutive years immediately preceding the assessment date to agricultural use or preparation for agricultural use.

### **APPRAISER:**

An individual certified by the Department of Taxation as qualified by education or training to appraise property for purposes of taxation.

### **ASSESSED VALUE:**

Set by the Legislature at 35 percent of taxable value.

### **ASSESSMENT ROLL:**

Synonymous with tax roll and tax list. Published by the county assessor prior to January first of each year listing all secured property in the county and the value thereof.

### **ASSESSOR:**

The elected county official responsible for the appraisal of property. May or may not be an appraiser.

### **BCCRT:**

Basic City/County Relief Tax (sales tax) of ½ of 1 percent enacted in 1969 with revenue returned to cities and counties based on county of sale and distributed within county depending on number of cities.

### **CENTRALLY ASSESSED PROPERTY:**

Interstate or intercounty business operations appraised and assessed by the Nevada Tax Commission (railroads, airlines, telephone companies, electric companies, gas companies, mining net proceeds, etc.).

### **CONSOLIDATED TAX DISTRIBUTION (CTX):**

A formula for the distribution of the BCCRT, SCCRT, GST, RPTT and the local allocations of cigarette and liquor tax among local governments within each county.  
NRS 360.660 to NRS 360.740

**CONSUMER PRICE INDEX (CPI):**

Cost of living index that measures average changes in the prices of goods and services usually bought by urban wage earners and clerical workers. It is based on prices of about 400 items, which were selected to represent the movement in prices of all goods and services purchased. Published monthly by the United States Department of Labor.

**COST APPROACH:**

Determination of value of improvements by first estimating the cost to replace the structure and then deducting depreciation and obsolescence.

**COUNTY OPTION SALES TAXES:**

Optional sales taxes that may be imposed by a county for such purposes as public transportation, road maintenance, tourism promotion, infrastructure, and open-space preservation. Chapters 377A and 377B of NRS and various special acts.

**CPI:**

United States CPI.

**DEFICIENCY DETERMINATION:**

Amount of taxes determined to be due as a result of an audit or failure of retailer or consumer to report and remit taxes.

**DEPRECIATION:**

The loss in value of an item due to aging.

**EQUALIZATION:**

Adjustment of values established by county assessor or Nevada Tax Commission to insure that all property is equitably and uniformly appraised and assessed.

**EXCISE TAX:**

Tax levied on manufacture, import, sale or consumption of a product or service. Taxes on sales and use, tobacco products, liquor and vehicle fuels are examples of excise taxes.

**EXEMPTION:**

An abatement from taxation of all or part of the assessed value of a property.

## **FLOOD CONTROL TAX**

This is a county option sales and use tax of up to ¼ percent available in counties with a population of 400,000 or more.

## **FREEMPORT LAW:**

Exempts all property “in transit” from taxation. Shipment of property must have originated from a location outside Nevada. Ultimate destination may be unknown at the time property is shipped to a Nevada location. If property is then consigned to a Nevada destination, it is subject to taxation.

## **FULL CASH VALUE:**

The amount at which the property would be appraised if taken in payment of a just debt due from a solvent debtor.

## **FUNGIBLE GOODS:**

Co-mingled items where identity of individual items is lost.

## **GGR:**

Gross Gaming Revenue. The winnings of a gaming licensee before deduction of expenses and taxes and upon which the gaming percentage fee is imposed.

## **GST:**

The Government Services Tax imposed for the privilege of operating a vehicle on the public highways of the state. Provided in lieu of an ad valorem tax on vehicles. NRS 371.040

## **GROSS GAMING PERCENTAGE FEE:**

The tax imposed upon gross revenue from cash received as winnings, payments for credit extended by a licensee and compensation received for conducting any game in which the licensee is not party to a wager.

## **INCOME APPROACH:**

Determining value based on capitalization of the income stream. Normally used for appraising income-producing properties. Income considered applies to the value of the property and not to the ability of management or the type of business operation.

**INDUSTRIAL REVENUE BONDS:**

A special classification of municipal bonds, typically issued by a municipality to provide funds for the building of a plant for a particular private company. NRS 244A.669, 268.512, 349.400.

**INTOXICATING LIQUOR TAXES:**

A tax on the importation of all alcoholic beverages containing one-half of one percent or more of alcohol by volume. The tax on beverages with 22 percent or less alcohol is distributed to the state General Fund. Portions of the tax on beverages with over 22 percent alcohol is distributed to local governments and the liquor program account with the balance to the state General Fund.

**JET FUEL TAX:**

A statewide and a local option tax of up to 4 cents per gallon on the use of distribution of fuel for jet or turbine-powered aircraft in the state. Proceeds go to local airport authorities.

**LAISSEZ-FAIRE:**

Literally, French for “allow to do,” a term coined by the French “physiocrats” (economists) of the 18th century to denote a public policy of non-intervention and non-interference by government with business.

**LEVY:**

The determination of amount of tax. For property taxes it is the tax rate to be applied to the assessed value, for excise taxes, the amount of the tax per unit and for sales and use taxes, the percentage applied.

**LIEN DATE:**

July 1<sup>st</sup> of the year for which taxes are levied for all property then within the county and on the date of arrival in the county for migratory personal property on the unsecured roll.

**LSST:**

Local School Support Tax (sales tax) of 2.25 percent enacted in 1967 with revenues returned to school districts in county of origin or, if point of sale undetermined, to the state Distributive School Account.

**MARKET APPROACH:**

Determination of value by the sale of comparable properties in the area. In centrally assessed properties, it applies to the stock and debt value under the assumption that if an individual purchased all the stock of a corporation and assumed all of its debt, he would have determined the value of the corporation.

**METES AND BOUNDS:**

Description of parcels as bearings and distances from a set point.

**MILE-UNIT BASIS:**

The apportionment of the value of centrally-assessed property among the counties in which the company has operations. For electric companies, it is wire miles in the taxing jurisdiction, for railroads it is the track mileage, and for airlines it is the air miles flown above the county.

**MILL RATE:**

Tax rate expressed in 1/10 of a cent. Normally not used in Nevada. (Example: Las Vegas Artesian Basin levies an ad valorem tax of 2 mills per \$100 of assessed value.)

**MOTOR VEHICLE FUEL TAXES:**

Taxes imposed on the sale, distribution or use of motor fuels including aviation fuel, but not including jet fuel, diesel, propane or LNG fuel. Major portion of the proceeds to the state Highway fund, the balance to the cities and counties.

**NATIONAL WEALTH:**

The concept of the “real” or tangible assets of a country, etc., land structures, equipment, inventories, etc.

**NET PROCEEDS OF MINES:**

Value of mineral or non-mineral products after deduction of certain costs and expenses from the gross yield (sale) of the product.

**NEVADA TAX COMMISSION:**

The Commission, whose members are appointed by the Governor, is the head of the Department of Taxation and exercises general supervision and control over its activities.

**NEXUS:**

A link or connection that authorizes the taxation of an organization.



**OBSOLESCENCE:**

The lessening of value due to causes other than physical causes and may be functional where circumstance internal to the property item render an item less desirable, or economic when circumstances external to the item and beyond the control of the owner render the property item less desirable.

**OCCASIONAL SALE:**

Sale of a total business. Two or less sales in a 12-month period.

**OPEN-SPACE PROPERTY:**

Land to enhance natural or scenic resources or historical significance.

**PARCELING:**

A numerical system for describing property, primarily for taxation purposes.

**PATENTED MINES:**

A mine on land granted by the government conveying a fee-simple title to public lands for mining use.

**PERSONAL PROPERTY:**

All property not permanently affixed to land (example: mobile homes in a mobile home park, boats, aircraft, gaming devices).

**PLAT:**

A map of a specific region indicating boundaries of parcels.

**RANGE LINES:**

North-south lines that are 6 miles apart forming the east-west boundaries of a township.

**RATIO STUDY:**

A Department of Taxation review of selected samples of property to determine assessor compliance with statutory requirements.

**REAL PROPERTY:**

Land and improvements. Defined at NRS 361.035.

**REAL PROPERTY TRANSFER TAX:**

A tax at the rate of \$1.30 cents for each \$500 of value or fraction thereof and certain optional taxes on each deed of transfer of real property. NRS 375.020.

**REPLACEMENT COST:**

The cost of replacing an existing structure of equal use but utilizing modern materials and standards and current labor costs.

**REPRODUCTION COST:**

The cost to reconstruct a structure that is an exact duplicate but at current labor costs.

**RESALE CERTIFICATE:**

Authority to purchase tangible personal property without tax for purposes of resale.

**ROOM TAXES:**

A tax imposed on transient lodging in addition to the county room taxes. The state levy is one percent, of which three-eighths comes to the state for the Commission on Tourism and five-eighths are retained by the county.

**RPTT:**

Real Property Transfer Tax.

**SCCRT:**

Supplemental City/County Relief Tax of 1.75 percent of the gross receipts of any retailer from the sale of tangible personal property and distributed to local governments based on statutory formula to replace property taxes. NRS 377.040.

**SALES TAX:**

Tax on the retailer for privilege of selling tangible personal property.

**SECTION:**

A square mile (640 acres), 36 sections are a normal township.

**SECURED ROLL:**

The listing of real property prepared annually by the assessor. If the value of the real property is sufficient, the personal property of the owner of the real property may be included.

**SECURITY DEPOSIT:**

Cash, bond or pledge of real property to protect the interest of the state in the amount of taxes due from a retailer.

**SITUS:**

Actual physical location of the property. In centrally assessed property, the situs does not normally determine the allocation of value.

**SPECIAL DRUG MANUFACTURERS TAX:**

A tax imposed on the manufacture of special drugs (Gerovitol and Laetril). Proceeds of this tax go to the state General Fund.

**TAX ALLOWANCE:**

A credit against taxes due.

**TAX TITLE PROPERTY:**

Property where taxes are delinquent and title has passed to the county.

**TAX YEAR:**

Not defined in statute. Normally considered the fiscal year.

**TAXABLE SALES:**

Sales of tangible personal property subject to the various sales and use taxes.

**TAXABLE VALUE:**

For land, it is synonymous with full cash value considering its use. For improvements, it is the replacement cost less depreciation and obsolescence, but must not exceed full cash value.

**TAXES:**

Compulsory payments imposed by a sovereign government for public purposes.

**TOBACCO TAXES:**

Includes tax of 17.5 mills per cigarette on the purchase or possession of cigarettes. A portion equivalent to 12.5 mills per cigarette of this tax goes to the state General Fund, the balance of the proceeds is distributed to the cities and counties. Also includes a tax of 40 percent on the purchase or possession of other products made from tobacco. Proceeds from this tax go to the state General Fund.

**TOWNSHIP LINES:**

East-west lines that are 6 miles apart forming the north-south boundaries of a township.

**UNSECURED ROLL:**

Generally, personal property whose value is not secured by the ownership of real property and new construction not yet placed on the secured roll.

**USE TAX:**

Tax on the consumer or purchaser of tangible personal property on which the sales tax has not been collected or reported. Normally collected on purchases made by firms or individuals from out-of-state retailers not collecting Nevada sales taxes. Complements the sales tax to protect Nevada retailers from unfair competition from out-of-state sellers.

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# **TAXATION INFORMATION**

## **B. DEPARTMENT OF TAXATION PUBLICATIONS**

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**DEPARTMENT OF TAXATION  
LIST OF PUBLICATIONS**

1. Annual Report of Department of Taxation

Details annual activities including reports on collections and the distribution of all taxes for which the department is responsible, statewide assessment and equalization activities and refunds provided under the senior citizens property tax assistance program.

**DIVISION OF ASSESSMENT STANDARDS**

1. Segregation of the Roll, Statistical Data

Annual report which isolates the assessed values of property on the secured and unsecured assessment rolls into specific categories of real and personal property.

2. Personal Property Manual

Annual publication that sets forth the cost conversion factor and depreciation schedules used to determine taxable value. It is used in conjunction with NAC 361.134 through 361.140.

3. Assessor's Handbook

Sets forth the prescribed parceling system for tax purposes. (NRS 361.189)

4. Appraiser Certification Board By-Laws

Sets forth guidelines for board approval of continuing education and certification of assessment appraisers.

5. DOAS Time Frame of Duties

Calendar review of deadlines for assessment and Division of Assessment Standards duties.

6. NAC Chapter 361 - codification of regulations pertinent to property assessment:

NAC	361.004		- Definitions
	361.046 -	361.132	- Exemptions
	361.106 -	361.132	- Taxable value of real property
	361.134 -	361.140	- Taxable value of personal property
	361.144 -	361.158	- Reporting requirements
	361.200 -	361.532	- Centrally assessed properties
	361.580		- Ratio study
	361.622-	361.730	- Equalization
	361.732-	361.736	- Advisory opinions
	361.778		- Mobile home and camper decals
	361.866 -	361.876	- Senior citizens



7. NAC Chapter 361A - codification of regulations pertinent to the assessment of agricultural property.
8. NAC Chapter 362 - codification of regulations pertinent to the assessment of patented mines, geothermal operations and net proceeds of mines.
9. Instructions for the Assessment of Agricultural Land, Open-Space Properties, Oil and Gas Leases, Possessory Interest

Yearly manual prepared to be used by the county assessors in the classification and valuation of the properties set forth in the bulletin.

10. Report of Assessment Ratio Study

Annual report which evaluates assessment levels and uniformity of the counties in Nevada. The report is completed automatically on eight counties in one year and nine counties the next year.

11. Improvement and Land Factor Schedules

Annual report listing the factors to be applied to land and improvement values in years when property is not physically reappraised in order to represent the change in the taxable value since the preceding year.

12. Rural Manual

Yearly manual setting forth costs to be applied to improvements of a rural nature.

13. Net Proceeds of Mines Bulletin

Report listing by county all operators of producing mines and royalty recipients thereof. Details total gross proceeds, total net proceeds and gross yield of both metallic and non-metallic proceeds by county for the preceding years and the total annual proceeds of mines dated back to 1963.

14. Nevada Tax Commission Bulletin of Assessed Values for Railroads, Public Utility Companies and Bank Shares

Report listing by county and industry type the annual assessed values, allocated on a line mile basis, of railroads, of railroads, airlines, private car lines, public utility companies and bank shares of companies doing business in Nevada, whether on an intercounty and/or interstate nature under NRS 361.320.

15. Nevada Tax Commission Bulletin of Assessed CWIP Valuations

Report listing by county and industry type the annual assessed values for construction work in progress, allocated either on a situs or line-mile basis, for applicable intercounty and/or interstate firms doing business under NRS 361.321.

## LOCAL GOVERNMENT FINANCE SECTION

1. Tax Rate Book

This annual publication schedules the certified ad valorem tax rates for all local governments by county. The report totals the operating rate, debt rate, school rate, state rate and overlapping special district rates to denote combined unit rate.

2. Report of Local Government Indebtedness

This annual publication schedules legal debt limit, total general obligation indebtedness and debt margin for all local governments in Nevada. The report also provides overlapping total debt of each county and a five-year debt requirement projection for each entity.

3. Local Government Syllabus

This publication provides reference to *Nevada Revised Statutes*, *Nevada Administrative Code* and guidelines pertaining to Nevada Local Government Finance. Included is the Local Government Budget Act, Securities Law and General Improvement District Law.

4. Local Government Allowed Revenue from Ad Valorem And Supplemental City/County Relief Tax Calculation

This spreadsheet schedules the determining calculations, by entry, for establishing the Supplemental City/County Relief Tax Distribution and the Allowed Ad Valorem Revenue Limit and applicable tax rate.

5. Revenue Projections

Based on Economic Forum data only, annual projections are made for local governments' budgeting purposes. Projections are made for County Option Gasoline Tax, 1.25 and 1.75 cents Gasoline Tax, Basic City/County Relief Tax, liquor and cigarette tax, and Local School Support Tax.

## REVENUE DIVISION

1. Sales and Use Tax Statistical

A compilation of the collection of sales and use taxes by county and out-of-state firms by 32 statistical codes. Published monthly.

2. Motor Fuels Statistical

A compilation of importation of motor fuels by gallons and dollars by motor fuel dealers. Published monthly.

3. Liquor Tax Statistical

A compilation of importation of alcoholic beverages by type, gallons and wholesaler with dollars collected. Published monthly.

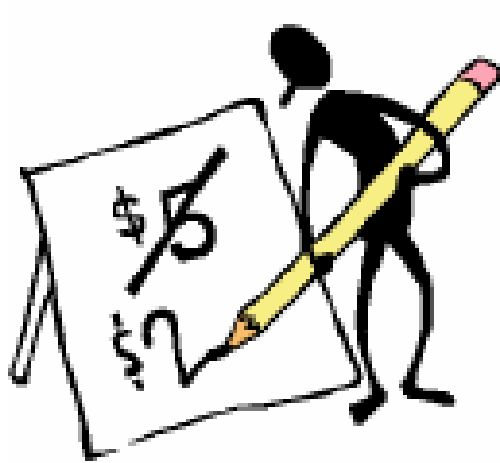
4. Cigarette and Other Tobacco Products Statistical

A compilation of importation of cigarettes and other tobacco products and dollars collected. Published monthly.

5. Nevada Tax Notes

Informational bulletin sent to all accounts with sellers or consumer permits and a selected mailing list containing general information on taxes administered by the Department of Taxation. Published quarterly.

# V. TAX EXEMPTIONS



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# **TAX EXEMPTIONS**

## **A. SALES TAX**

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## **Sales and Use Tax Act (State Two Percent Portion) Exemptions**

1. **Items Upon Which Tax Is Prohibited by State or Federal Constitution or by Federal Statute** – Gross receipts from the sale of, and the storage, use or other consumption in this state of, tangible personal property the gross receipts from the sale of which, or the storage, use or other consumption of which, this state is prohibited from taxing under the Constitution or laws of the United States or under the constitution of this state. **NRS 372.265**
2. **Proceeds of Mines** – Gross receipts from the sale of, and the storage, use or other consumption in this state of, the proceeds of mines that are subject to taxes levied pursuant to chapter 362 of NRS. **NRS 372.270**
3. **Fuel Used To Propel Motor Vehicles** – Gross receipts from the sale and distribution of, and the storage, use or other consumption in this state of, any combustible gas, liquid or material of a kind used in an internal or combustion or diesel engine for the generation of power to propel a motor vehicle on the highways. **NRS 372.275**
4. **Animals and Plants Intended for Human Consumption and Feed and Fertilizer** – Gross receipts from sales of, and the storage, use and other consumption of:
  - a) Any form of animal life of a kind the products of which ordinarily constitute food for human consumption;
  - b) Feed for any form of animal life of a kind the products of which ordinarily constitute food for human consumption or are to be sold in the regular course of business;
  - c) Seeds and annual plants the products of which ordinarily constitute food for human consumption or are to be sold in the regular course of business; or
  - d) Fertilizer to be applied to land the products of which are to be used as food for human consumption or sold in the regular course of business. **NRS 372.280**
5. **Certain Medical Supplies and Medicines** – The gross receipts from the sales and the storage, use or other consumption of:
  - a) Prosthetic devices, orthotic appliances, and ambulatory casts for human use;
  - b) Appliances and supplies relating to an ostomy;
  - c) Products for hemodialysis; or
  - d) Medicines:
    - (1) Prescribed for the treatment of a human being by a person authorized to prescribe medicines, and dispensed on a prescription filled by a registered pharmacist in accordance with law;
    - (2) Furnished by a licensed physician, dentist or podiatrist to his own patient for the treatment of the patient;
    - (3) Furnished by a hospital for treatment of any pursuant to the order of a licensed physician, dentist, podiatrist; or
    - (4) Sold to a licensed physician, dentist, podiatrist or hospital for the treatment of a human being. **NRS 372.283**
6. **Food for Human Consumption** – Gross receipts from sales and the storage, use or other consumption of food for human consumption, not including alcoholic beverages, pet foods, tonics and vitamins, or prepared food intended for immediate consumption. **NRS 372.284 (See also NRS 372.2841)**
7. **Food Sold to Students or Teachers by Schools or Organizations of Students, Parents, or Teachers** – Gross receipts from the sale of, and the storage, use or other consumption in this state of, meals and food products for human consumption served by public or private schools, school districts, student organizations and parent-teacher associations to the students or teachers of a school. **NRS 372.285**



8. **Textbooks Sold Within UCCSN** – Gross receipts from the sale of textbooks sold within the University and Community College System of Nevada. **NRS 372.287**
9. **Containers** – Gross receipts from the sales of, and the storage, use or other consumption in this state of:
  - a) Nonreturnable containers when sold without the contents to persons who place the contents in the container and sell the contents together with the container;
  - b) Containers when sold with the contents if the sales price of the contents is not required to be included in the measure of the taxes imposed by this chapter; or
  - c) Returnable containers when sold with the contents in connection with a retail sale of the contents or when resold for refilling. **NRS 372.290**
10. **Gas, Electricity, and Water** – Gross receipts from the sales, furnishing or service of, and the storage, use or other consumption in this state of gas, electricity and water when delivered to consumers through mains, lines or pipes. **NRS 372.295**
11. **Domestic Fuels** – Gross receipts from the sale, furnishing or service of, and the storage, use or other consumption in this state of, any matter used to produce domestic heat by burning, including, without limitation, wood, coal, petroleum and gas. **NRS 372.300**
12. **Public Works Contracts** – Gross receipts from the sale of, and the storage, use or other consumption in this state of tangible personal property used for the performance of a contract on public works executed prior to July 1, 1955. **NRS 372.305**
13. **Non-Public Works Contracts** – Gross receipts from the sale of, and the storage, use or other consumption in this state of, tangible personal property used for the performance of a written contract entered into prior to March 29, 1955. **NRS 372.310**
14. **Newspapers** – Gross receipts from the sale of, and the storage, use or other consumption in this state of, tangible personal property that becomes an ingredient or component part of any newspaper regularly issued at average intervals not exceeding one week and any such newspaper. **NRS 372.315**
15. **Manufactured Homes and Mobile Homes** – Forty percent of the gross receipts from the sales and storage, use or other consumption of new manufactured homes and new mobile homes and all of the gross receipts from the sales and storage, use or other consumption of used manufactured homes and used mobile homes for which sales and use taxes have been paid as a result of a previous sales, storage, use or consumption. **NRS 372.316**
16. **Aircraft and Major Components of Aircraft** – Gross receipts from the sale, and the storage, use or other consumption in this state of:
  - a) Aircraft, aircraft engines and component parts of aircraft engines which are manufactured exclusively for use in aircraft, sold or purchased for lease to a commercial air carrier for use in transportation of persons or property in intrastate, interstate or foreign commerce pursuant to a certificate or license to the air carrier authorizing such transportation; and
  - b) Machinery, tools and other equipment and parts that are used exclusively in the repair, remodeling or maintenance of aircraft, aircraft engines or component parts of aircraft or aircraft engines. **NRS 372.317**. See also NRS 372.726 which prohibits the Department of Taxation from enforcing any restriction on the applicability of the exemption provided therein which would violate the United States Constitution.
17. **Occasional Sales** – Gross receipts from occasional sales of tangible personal property and the storage, use or other consumption in this state of tangible personal property, the transfer of which to the purchaser is an occasional sale. **NRS 372.320**

18. **Sales to U.S., State, or Political Subdivision** – Gross receipts from the sale of any tangible personal property to:
  - a) The United States, its unincorporated agencies and instrumentalities;
  - b) Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States;
  - c) The state of Nevada, its unincorporated agencies and instrumentalities; or
  - d) Any county, city, district or other political subdivision of this state.**NRS 372.325**
  
19. **Nonprofit Organization Created for Religious, Charitable, or Educational Purposes** – Gross receipts from the sale of, and the storage, use or other consumption in this state of, any tangible personal property sold by or to a nonprofit organization created for religious, charitable or educational purposes.  
**NRS 327.326**
  
20. **Loans or Donations to U.S., State, or Political Subdivisions or Religious or Eleemosynary Organizations** – Gross receipts from the storage, use or other consumption of tangible personal property any such property loaned or donated to:
  - a) The United States, its unincorporated agencies and instrumentalities;
  - b) Any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States;
  - c) The state of Nevada, its unincorporated agencies and instrumentalities;
  - d) Any county, city, district or other political subdivision of this state; or
  - e) Any organization created for religious, charitable or eleemosynary purposes, provided that no part of the net earnings of any such organization inures to the benefit of any private shareholder or individual. **NRS 372.327**
  
21. **Common Carriers** – The gross receipts from sales of tangible personal property to a common carrier, shipped by the seller via the purchasing carrier under a bill of lading whether the freight is paid in advance or the shipment is made freight charges collect, to a point outside this state and the property is actually transported to the out-of-state destination for use by the carrier in the conduct of its business as a common carrier. **NRS 372.330**
  
22. **Property Shipped Outside State** – The gross receipts for any sale of tangible personal property which is shipped to a point outside this state pursuant to the contract of sale by delivery by the vendor to such point by means of:
  - a) Facilities operated by the vendor;
  - b) Delivery by the vendor to a carrier for shipment to a consignee at such point; or
  - c) Delivery by the vendor to a customs broker or forwarding agent for shipment outside this state.**NRS 372.335**
  
23. **Personal Property Sold to Contractor Who Is Constituent Part of Governmental, Religious, or Charitable Entity** – Gross receipts from the sale of tangible personal property to and the storage, use or other consumption in this state of tangible personal property for a governmental, religious or charitable entity by a contractor who is a constituent part of a governmental, religious or charitable entity.  
**NRS 372.340**
  
24. **Property on Which Sales Tax Paid Exempt from Use Tax** – The storage, use or other consumption in this state of property, the gross receipts from the sale of which are required to be included in the measure of the sales tax. **NRS 372.345**

## Local School Support Tax and City-County Relief Tax Exemptions

NOTE: The exemptions to the Sales and Use Tax (State Two Percent Portion) are also applicable to the Local School Support Tax and the City-County Relief Tax. Listed below are the additional exemptions to the Local School Support Tax and the City-County Relief Tax. **Based on the voters' decision not to approve Question 8 on the 2004 General Election ballot, the following exemptions will expire on December 31, 2005.**

1. **Trade-in of Used Vehicles** – The trade-in value of used vehicles when applied to the purchase price of another vehicle. **NRS 374.030**
2. **Farm Machinery and Equipment** – Gross receipts from the sale of, and the storage, use or other consumption of farm machinery and equipment employed for the agricultural use of real property. **NRS 374.286**
3. **Ophthalmic or Ocular Devices** – Gross receipts from sales and storage, use or other consumption of any ophthalmic or ocular device or appliance prescribed by a physician or optometrist. **NRS 374.287**
4. **Works of Fine Art for Public Display** – Gross receipts from the sales of, and the storage, use or other consumption of works of fine art for public display. **NRS 374.291 (See also NRS 374.2911)**
5. **Aircraft, Aircraft Engines, and Component Parts of Aircraft** – Gross receipts from the sale, and the storage, use or other consumption of:
  - a) Aircraft, aircraft engines and component parts of aircraft or aircraft engines sold or purchased for lease to a commercial air carrier for transporting persons or property; and
  - b) Machinery, tools and other equipment and parts that are used exclusively in the repair, remodeling or maintenance of aircraft, aircraft engines or the component parts of aircraft or aircraft engines. **NRS 374.322**
6. **Engines, Chassis, Parts, and Components of Professional Racing Vehicles and Certain Vehicles Used by Racing Teams and Sanctioning Bodies** – Gross receipts from the sale, furnishing or service of, and the storage, use or other consumption of:
  - a) Engines and chassis of a professional racing vehicle;
  - b) Parts and components that are used to replace or rebuild existing parts or components of any engine or chassis of a professional racing vehicle;
  - c) Motor vehicles used by professional racing teams to transport professional racing vehicles or the parts or components of such vehicles; or
  - d) Motor vehicles used by a professional racing team or sanctioning body to transport the business office of the team or body or to transport a hospitality services facility. **NRS 374.323**

## Local School Support Tax and City-County Relief Tax Abatements

The provisions of NRS 374.357 authorize certain new or expanded businesses to apply to the Commission on Economic Development for an abatement of taxes imposed on the gross receipt from sale, and the storage, use or other consumption, of eligible machinery or equipment for use by that business. The taxpayer is eligible for the abatement for not more than two years.

# **TAX EXEMPTIONS**

## **B. PROPERTY TAX**

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# **PROPERTY TAX EXEMPTIONS AND ABATEMENTS**

## **Property Tax Exemptions**

1. **Property of United States** – All lands and other property owned by the United States, not taxable because of the Constitution or laws of the United States. **NRS 361.050**
2. **Property of State** – All lands and other property owned by the state, except real property acquired by the state of Nevada and assigned to the Division of Wildlife which is or was subject to taxation at the time of acquisition. **NRS 361.055**
3. **Property of Local Governments** – All lands and other property owned by the Nevada Rural Housing Authority or any county, domestic municipal corporation, irrigation drainage or reclamation district or town in this state, except certain community pastures. **NRS 361.060**
4. **Property of Privately Owned Parks** – The real property and improvements of a privately owned park that, pursuant to an agreement with a local government, are used by the public without charge, excluding areas from which income is derived. **NRS 361.0605**
5. **Property of Privately Owned Airports** – All property and improvements of a privately owned airport that are used by the public without charge, including areas used for taking off, landing and taxiing but excluding areas from which income is derived. **NRS 361.061**
6. **Property of a Trust** – All property, both real and personal, of a trust created for the benefit and furtherance of any public function pursuant to the provisions of law, but moneys in lieu of taxes may be paid to the beneficiary pursuant to any agreement contained in the instrument creating the trust. **NRS 361.062**
7. **School Property** – All lots, buildings and other school property owned by any legally created school district or charter school within the state and devoted to public school purposes. **NRS 361.065**
8. **Vehicles** – All vehicles, except mobile homes, which constitute “real estate” or “real property” and commercial helicopters meeting certain noise requirements pursuant to **NRS 361.067**
9. **Various Forms of Personal Property** – The following personal property:
  - a) Personal property held for sale by a merchant;
  - b) Personal property held for sale by a manufacturer;
  - c) Raw materials and components held by a manufacturer for manufacture into products, and supplies to be consumed in the process of manufacture;
  - d) Tangible personal property purchased by a business which will be consumed during the operation of the business;
  - e) Livestock;
  - f) Colonies of bees;
  - g) Pipe and other agricultural equipment used to convey water for the irrigation of legal crops;
  - h) All boats;
  - i) Slide-in campers and camper shells;
  - j) Fine art for public display (**See NRS 361.186 and 361.187**);
  - k) Computers and related equipment donated for use in schools in this state; and
  - l) All personal property that is:
    - (1) Owned by a person who is not a resident of this state; and
    - (2) Located in this state solely for the purposes of a display, exhibition, convention, carnival, fair or circus that is transient in nature. **NRS 361.068 – Subsection 1**
10. **Personal Property of Minimal Value** – The Nevada Tax Commission may exempt from taxation that personal property for which the annual taxes would be less than the cost of collecting those taxes. **NRS 361.068 Subsection 2**

11. **Household Goods and Furniture** – Household goods and furniture, including clothing, personal effects, gold and silver, jewelry, appliances that are not attached to real property or a mobile or manufactured home, furniture, recreational equipment, and portable goods and storage sheds and other household equipment, except appliances and furniture owned by a person who engages in the business of renting the appliances or furniture to other persons are not exempt from taxation. **NRS 361.069**
12. **Drainage Ditches, Canals, and Irrigation Systems** – Drainage ditches and canals, together with the lands which are included in the rights of way of the ditch or canal and each part of a permanently installed irrigation system of pipes or concrete linings of ditches and headgates to increase efficiency and conservation in the use of water, when the water is to be used for irrigation and agricultural purposes on land devoted to agricultural purposes by the owner of the pipes or concrete linings. **NRS 361.070**
13. **Water Users' Nonprofit Associations and Cooperative Corporations** – All real and personal property of a water users' nonprofit association or of a water users' nonprofit cooperative corporation within the state of Nevada when used for carrying out the legitimate functions of such nonprofit association or of a water users' nonprofit cooperative corporation. **NRS 361.073**
14. **Unpatented Mines and Mining Claims** – Unpatented mines and mining claims, but not possessory claims to the public lands of the United States or of this state, or improvements thereon, or the proceeds of the mines. **NRS 361.075**
15. **Property Used To Control Pollution** – Real and personal property used as a facility, device or method for the control of air or water pollution, not including:
  - a) Air conditioners, septic tanks or other facilities for human waste, nor any property installed, constructed or used for the moving of sewage to the collection facilities of a public or quasi-public sewage system.
  - b) Any facility or device having a value of less than \$1,000 at the time of its construction, installation or first use.
  - c) Any facility or device which produces a net profit to the owner or operator thereof from the recovery and sale or use of a tangible product or by-product, nor does it include a facility or device which, when installed and operating, results in a net reduction of operating costs. **NRS 361.077**
16. **Radioactive Fallout Shelters** – Certain residential property to the extent of \$1,000 assessed valuation if the property contains a shelter for protection against radioactive fallout. **NRS 361.078**
17. **Systems for Heating, Cooling, or Providing Electricity** – Unless the building is receiving another abatement or exemption in any given year, any value added by a system in a residential, commercial or industrial building to heat or cool the building or water used in the building, or to provide electricity used in the building, by using:
  - a) Energy from the wind or from solar devices not thermally insulated from the area where the energy is used;
  - b) Geothermal resources;
  - c) Energy derived from conversion of solid wastes; or
  - d) Waterpower. **NRS 361.079**
18. **Property of Surviving Spouses and Orphans** – The property of resident surviving spouses, not to exceed the amount of \$1,000 assessed valuation (may only be allowed in one county in this state to the same family). **NRS 361.080**. Beginning in FY 2005-06 the maximum amount of the exemption must be adjusted based on the increase in the CPI.
19. **Low-income Housing Projects** – That portion of real property and tangible personal property which is used for housing and related facilities for persons with low incomes if the portion of property qualifies as a low-income unit and is part of a qualified low-income housing project that is funded in part by federal money appropriated pursuant to 42 U.S.C. §§ 12701 et seq. for the year in which the exemption applies. **NRS 361.082**

20. **Property Used for Relief of Orphans or of Sick, Infirm, or Indigent Persons** – The property on which stands a hospital or other charitable asylum for the care or relief of orphan children, or of sick, infirm or indigent persons, owned by a nonprofit corporation, and the buildings, while occupied for those purposes. **NRS 361.083.** Beginning in FY 2005-06 the maximum amount of the exemption must be adjusted based on the increase in the CPI.
21. **Property of Blind Persons** – The property of all blind residents, not to exceed the amount of \$3,000 of assessed valuation, community property to the extent only of the blind person’s interest therein (may only be allowed in one county). **NRS 361.085.** Beginning in FY 2005-06 the maximum amount of the exemption must be adjusted based on the increase in the CPI.
22. **Property for Housing Elderly or Handicapped Persons** – All real property and tangible personal property used exclusively for federally financed or nonprofit housing and related facilities for elderly or handicapped persons. **NRS 361.086**
23. **Residential Improvements to Remove Barriers to Persons with Disabilities** – Value added to a residence occupied by a person with a disability for improvements made to an existing building for the purpose of removing barriers to the movement, safety and comfort of a person with a disability. **NRS 361.087**
24. **Commercial Improvements to Remove Barriers to Persons with Disabilities** – Value added not earlier than July 1, 1990 and not later than April 1, 1995 to real or personal property used in connection with a business, for improvements made to an existing building for the purpose of removing barriers to the movement, safety and comfort of a person with a disability (expires by limitation June 30, 2003). **NRS 361.0875**
25. **Property of Nathan Adelson Hospice** – All real and personal property of the Nathan Adelson Hospice in the state of Nevada as long as it is used for carrying out the legitimate functions of a freestanding facility for hospice care. **NRS 361.088**
26. **Veterans’ Property** – The value of property, to the extent of \$1,500 in FY 2003, \$1,750 in FY 2004, \$2,000 in FY 2005 and \$2000, plus inflation thereafter, of certain residents of the state who have served on active duty in the military or who are in actual military service. **NRS 361.090 (See also NRS 361.0905)**
27. **Property of Veterans With Total Permanent Disabilities** – The value of property, to the extent of \$15,000 in FY 2003, \$17,500 in FY 2004, \$20,000 in FY 2005 and \$20,000, plus inflation thereafter, of a resident of the state of Nevada who has incurred a total permanent service-connected disability and has been honorably discharged from the Armed Forces of the United States, or his surviving spouse. **NRS 361.091**
28. **Property of Veterans With Eighty to Ninety-nine Percent Permanent Disabilities** – The value of property, to the extent of \$11,250 in FY 2003, \$13,250 in FY 2004, \$15,000 in FY 2005 and \$15,000, plus inflation thereafter, of a resident of the state of Nevada who has incurred a permanent service-connected disability of 80 to 99 percent and has been honorably discharged from the Armed Forces of the United States, or his surviving spouse. **NRS 361.091**
29. **Property of Veterans With Sixty to Seventy-nine Percent Permanent Disabilities** – The value of property, to the extent of \$7,500 in FY 2003, \$8,750 in FY 2004, \$10,000 in FY 2005 and \$10,000, plus inflation thereafter, of a resident of the state of Nevada who has incurred a permanent service-connected disability of 60 to 79 percent and has been honorably discharged from the Armed Forces of the United States, or his surviving spouse. **NRS 361.091**



30. **Property of Veterans' Organizations** – The value of funds, furniture, paraphernalia and regalia owned and used exclusively by any post of any national organization of ex-servicemen or ex-servicewomen for the legitimate purposes and customary objects of such posts to the extent of \$7,500 in FY 2003, \$8,750 in FY 2004, \$10,000 in FY 2005 and \$10,000, plus inflation thereafter. Real property of any such organization is totally exempt. **NRS 361.095**
31. **Property of Charter Schools** – The portion of real and personal property leased or rented to a charter school for the use of the charter school. **NRS 361.096**
32. **Property of Charitable Foundations of UCCSN** – All real and personal property owned by a charitable foundation established by the Board of Regents of the University of Nevada when it is used to carry out the legitimate functions of the foundation. **NRS 361.098**
33. **Property Leased or Rented to UCCSN** – All real and personal property which is leased or rented to the University and Community College System of Nevada for total consideration which is less than 10 percent of the fair market rental or lease value of the property. **NRS 361.099**
34. **Property of University Fraternities and Sororities** – All real property owned by any fraternity or sorority, or chapter thereof, which is composed of students of the University of Nevada, Reno, or the University of Nevada, Las Vegas, and used as a home for its members. **NRS 361.100**
35. **Property of Nonprofit Private Schools** – Nonprofit private schools, with lots appurtenant thereto and furniture and equipment. **NRS 361.105**
36. **Property of Certain Apprenticeship Programs** – The real and personal property of an apprenticeship program if the property is:
  - a) Held in a trust created pursuant to 29 U.S.C. § 186; or
  - b) Owned by a local or state apprenticeship committee and the apprenticeship program is:
    - (1) Operated by an organization which is qualified pursuant to 26 U.S.C. § 501(c)(3) or (5); and
    - (2) Registered and approved by the state apprenticeship council pursuant to chapter 610 of NRS. **NRS 361.106 (Expires June 30, 2007)**
37. **Property of Pershing County Kids, Horses, Rodeo, Inc.** – All real and personal property of Pershing County Kids, Horses, Rodeo, Inc. in the state of Nevada that is used for the purpose of carrying out the legitimate functions of that organization. **NRS 361.107**
38. **Property of Various Nonprofit Organizations** – The buildings, with their furniture and equipment, and the lots of ground on which they stand, used therewith and necessary thereto, of:
  - a) The Nevada Museum of Art, Inc.;
  - b) The Young Men's Christian Association;
  - c) The Young Women's Christian Association;
  - d) The American National Red Cross or any of its chapters in the state of Nevada;
  - e) The Salvation Army Corps;
  - f) The Girl Scouts of America;
  - g) The Camp Fire Girls, Inc.;
  - h) The Boy Scouts of America; and
  - i) The Sierra Arts Foundation.

If a rent or other valuable consideration is received for the use of the property of one of the organizations listed above, it must be taxed, unless the rent or other valuable consideration is paid or given by an organization that qualifies as a tax-exempt organization pursuant to 26 U.S.C. § 501(c)(3). **NRS 361.110**

39. **Property of Nature Conservancy, American Land Conservancy, and Nevada Land Conservancy -** All real property and improvements thereon acquired by the Nature Conservancy, American Land Conservancy or Nevada Land Conservancy and held for ultimate acquisition by the state or a local governmental unit if:
  - a) The state or a local governmental unit has agreed, in writing, that acquisition of the property will be given serious consideration; and
  - b) For property for which the state has agreed to give serious consideration to buying, the governing body of the county in which the property is located has approved the potential acquisition of the property by the state. **NRS 361.111**
40. **Property of Nevada Children’s Foundation, Inc.** – All real and personal property of the Nevada Children’s Foundation, Inc., in the state of Nevada, if it is used to carry out the legitimate functions of that organization. **NRS 361.115**
41. **Property of Nevada Heritage Association, Inc.** – All real and personal property of the Nevada Heritage Association, Inc., within the state of Nevada if it is used to carry out the legitimate functions of that organization. **NRS 361.123**
42. **Property of Churches and Chapels** – Churches, chapels, other than marriage chapels, and other buildings used for religious worship, with their furniture and equipment, and the lots of ground on which they stand, used therewith and necessary thereto, owned by some recognized religious society or corporation, and parsonages so owned. **NRS 361.125**
43. **Public Cemeteries and Graveyards** – All cemeteries and graveyards set apart and used for and open to the public for the burial of the dead, when no charge is made for burial therein. **NRS 361.130**
44. **Nonprofit Private Cemeteries and Places of Burial** – The cemetery lands and property of any nonprofit corporation governed by the provisions of Chapter 82 of NRS formed for the purposes of procuring and holding lands to be used exclusively for a cemetery or place of burial of the dead. The proprietors of lots or plats in such cemeteries, their heirs or devisees, may hold the lots or plats exempt in the same way so long as the lots or plats remain dedicated to the purpose of a cemetery. **NRS 361.132**
45. **Property of Lodges and Other Charitable Organizations** – The value of funds, furniture, paraphernalia and regalia owned by any lodge of the Benevolent Protective Order of Elks, Fraternal Order of Eagles, Free and Accepted Masons, Independent Order of Odd Fellows, Knights of Pythias or Knights of Columbus, or by any similar charitable organization, or by the Lahontan Audubon Society, the National Audubon Society, Inc., of New York, the Defenders of Wildlife of the District of Columbia or any similar benevolent or charitable society, so long as the same shall be used for the legitimate purposes of such lodge or society or for such charitable or benevolent purposes to the extent of \$5,000. **NRS 361.135**
46. **Property of Certain Charitable Corporations** – All buildings belonging to a charitable corporation, together with the land actually occupied by the corporation for the purposes described and the personal property actually used in connection therewith, to the extent they are used solely for the purpose of the charitable corporation. **NRS 361.140**
47. **Property of Noncommercial Theaters** – The buildings, furniture and equipment of noncommercial theaters owned and operated by nonprofit educational corporations organized for the exclusive purpose of conducting classes in theater practice and the production of plays on a nonprofessional basis if the articles of incorporation state that the property for which the tax exemption is requested shall revert to the county in which it is located upon the cessation of the activities of the noncommercial theater. **NRS 361.145**
48. **Property of Volunteer Fire Departments** – The real and personal property of organized and incorporated volunteer fire departments unless it is used for any purpose other than carrying out the legitimate functions of such volunteer fire department. **NRS 361.150**

49. **Personal Property in Transit** – Personal property which is moving in interstate commerce through or over the territory of the state of Nevada or was consigned to a warehouse, public or private, within the state of Nevada from outside the state of Nevada for storage in transit to a final destination outside the state of Nevada, whether specified when transportation begins or afterward.

(Such property is not deprived of exemption because while in the warehouse the property is assembled, bound, joined, manufactured, processed, disassembled, divided, cut, broken in bulk, relabeled or repackaged, or because the property is being held for resale to customers outside the state of Nevada.)

**NRS 361.160**

**NOTE: The personal property tax exemption to which a surviving spouse, orphan child, blind person, veteran or surviving spouse of a disabled veteran is entitled pursuant to NRS 361.080, 361.085, 361.090 or 361.091 is reduced to the extent that he is allowed an exemption from the governmental services tax pursuant to Chapter 371 of NRS.**

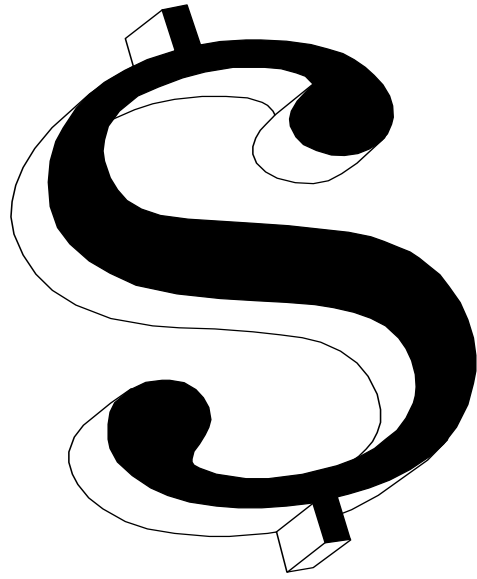
## **Partial Abatements Authorized by the Commission on Economic Development**

**Businesses That Conserve Energy or Reduce Reliance on Fossil Fuels** – Certain businesses that engage in the processing of raw material or an intermediate product through a process in which at least 50 percent of the material or product is recycled on site and certain businesses that include a facility for the generation of electricity from recycled material are authorized to apply to the Commission on Economic Development for a partial abatement of property taxes. The taxpayer is required to demonstrate that a primary purpose of the business is the conservation of energy or the substitution of other sources of energy for fossil sources of energy. The taxpayer is eligible for the partial abatement for not more than ten years. The partial abatement cannot exceed 50 percent of the taxes on personal property payable by the business each year. **NRS 361.0685**

**New or Expanded Businesses** – Certain new or expanded businesses are authorized to apply to the Commission on Economic Development for a partial abatement of property taxes. The taxpayer is required to make certain capital investments in the county in which it will locate or expand and is required to pay certain hourly wages to its employees to qualify for the exemption. **NRS 361.0687**

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# **VI. LOCAL GOVERNMENT FINANCE ISSUES**



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# **LOCAL GOVERNMENT FINANCE ISSUES**

## **A. LIMITATIONS ON PROPERTY TAX**



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## LIMITATIONS ON PROPERTY TAXES

The *Nevada Constitution* has, since 1936, limited the property tax rate to five cents per \$1 of assessed value. To address taxpayer complaints about high property taxes, the 1979 Legislature statutorily lowered the maximum rate to \$3.64 per \$100 of assessed value (NRS 361.453). Further limiting property tax is NRS 361.225, which sets the assessment rate at 35 percent of taxable value. To provide continued property tax relief, the 1981 Legislature lowered property taxes and instituted an additional sales tax to replace the lost revenues. At the same time, tight restrictions were placed on the amount of increase in property tax revenues by tying the amount to local growth, inflation and the level of sales taxes collected. Since that year, the restrictions have been gradually relaxed and special purpose levies have been authorized for such things as indigent care, jail facilities, 911 emergency telephone services and the acquisition of capital assets. In 1989 the Legislature eliminated the link between property and sales taxes.

Currently, the tax rate imposed by a county, city, town or special district, except for the levies authorized for various special purposes, is limited to that rate produced by allowing a six percent increase in the amount of revenue raised from property that was on the prior year's tax roll. New property is then taxed at the same rate. The rate, however, does not have to be reduced below the rate allowed in the prior year.

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# **LOCAL GOVERNMENT FINANCE ISSUES**

## **B. ASSESSMENT STANDARDS AND PRACTICES**

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## **ASSESSMENT STANDARDS AND PRACTICES**

Faced with a taxpayer revolt in the late-1970s, the Nevada Legislature responded to the complaints not only by limiting property tax rates but also by modifying the assessment standards and practices used throughout the state. In 1979 household goods were exempted from the tax on personal property. In 1981 the market value approach to the assessment of residential property was eliminated and replaced by a modified cash value approach. Vacant land is now valued at its highest and best use. Land with improvements is valued at the use to which it was being put, while the improvements are valued based on replacement cost less depreciation and any applicable obsolescence.

To avoid sharp increases in assessed values because of the 5-year assessment cycle, a system of factoring applied to property not physically reappraised during the year was instituted. Each year the Nevada tax commission adopts factors for improvements based on changes in the replacement cost of property. In addition, the county assessor develops factors for changes in the value of land in the county. These factors must be approved by the commission.

Currently, the assessment rate of all property continues to be 35 percent of the taxable value. Depreciation of improvements is set at 1.5 percent per year of the age of the improvements up to 50 years. The actual age of each improvement for purposes of the depreciation schedule must be modified whenever any addition or replacement is made whose cost, added to the cost of any prior additions or replacements, is at least 10 percent of the total replacement cost of the improvement. Replacement cost, however, does not include normal maintenance or the replacement of appliances or wall or floor coverings.

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# **LOCAL GOVERNMENT FINANCE ISSUES**

## **C. FEE LIMITATIONS**



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## **LIMITATIONS ON FEES FOR BUSINESS LICENSES**

Increases in fees for business licenses are controlled pursuant to NRS 354.5989. Exempted from these limits are fees imposed on public utilities doing business as a franchise, on pawnbrokers for an additional license to accept motor vehicles as pledged property and on businesses to pay for the operation and maintenance of a pedestrian mall located in a district created for that purpose. Also exempted are fees imposed by hospitals, county airports, airport authorities, convention authorities, the Las Vegas Valley Water District and the Clark County Sanitation District.

The amount of revenue any nonexempt local government may receive from business license fees in any year, except those calculated as a percentage of gross revenue, may not be greater than those received in FY 1990-91 adjusted for any increase in that government's population added to the increase in the U.S. CPI as of December 31 of the year next preceding the year for which the fees are to be increased. For example, five percent population growth combined with a CPI increase of five percent would result in a 10 percent increase in allowable revenues from business license fees. A government may not increase any fee imposed as a percentage of gross revenue if total revenues from such fees have increased by more than the increase in the CPI.

The Nevada Tax Commission may approve increases in business license fees above the limitations provided if it determines that emergency conditions exist which impair the ability of the government to perform the basic functions for which it was created or that the government's fees are substantially below those of other local governments in the state.

## **LIMITATIONS ON FEES FOR BUILDING PERMITS**

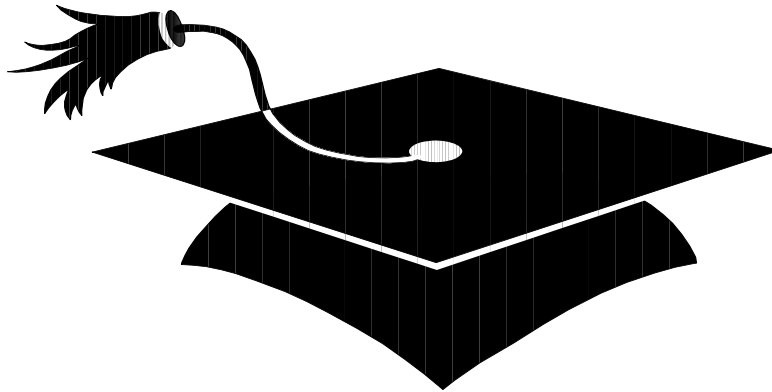
Fees for building permits are limited pursuant to NRS 354.59891. Excluded from these limitations are fees relating to water, sewer or other utilities, a residential construction tax, a tax for the improvement of transportation or any amount spent to change the zoning of a property.

The building permit basis in effect on June 30, 1989, may not be increased greater than the annual increases in the CPI on January 1, 1988, to January 1 of the year preceding the fiscal year for which the building permit basis is established. The building permit basis is the combination of the rate and the valuation method used to determine the building permit fee.

The tax commission may allow an increase in building permit fees above those otherwise provided if it determines that emergency conditions exist which impair the ability of a government to perform the basic functions for which it was created or that the government's building permit basis is substantially below that of other local governments and the costs associated with the issuance of building permits exceeded the total revenue from such fees, excluding any amount of residential construction tax collected.

The tax commission may exempt a local government from the fee limitations if the government creates an enterprise fund exclusively for building permit fees and interest earned on those fees. No money in the fund may be used for any purpose beyond the costs associated with the issuance of such permits.

## **VII. EDUCATION FUNDING INFORMATION**



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# **EDUCATION FUNDING INFORMATION**

## **THE NEVADA PLAN**

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## THE NEVADA PLAN

The *Nevada Plan* is the means used to finance elementary and secondary education in the state's public schools. The state develops a guaranteed amount of funding for each of the local school districts, and the revenue, which provides the guaranteed funding, is derived both from state and local sources. On average, this guaranteed funding contributes approximately 75 to 80 percent of school districts' General Fund resources. Nevada Plan funding for the districts consists of state support received through the Distributive School Account<sup>1</sup> (DSA) and locally collected revenues from the 2.25-cent Local School Support (sales tax) Tax (LSST) and 25 cents of the Ad Valorem Tax (property tax).

To determine the level of guaranteed funding for each district, a Basic Per-Pupil Support Rate is established. The rate is determined by a formula that considers the demographic characteristics of the school districts. In addition, transportation costs are included using 85 percent of the actual historical costs adjusted for inflation according to the CPI. A Wealth Adjustment, based on a district's ability to generate revenues in addition to the guaranteed funding, is also included in the formula.

Each district then applies its Basic Per-Pupil Support Rate to the number of students enrolled. The official count for apportionment purposes is taken in each district on the last day of the first school month. The number of kindergarten children and handicapped 3- and 4-year-olds is multiplied by 0.6 and added to the total number of all other enrolled children, creating the Weighted Enrollment. Each district's Basic Per-Pupil Support Rate is multiplied by its Weighted Enrollment to determine the guaranteed level of funding, called the Total Basic Support.

To protect districts from decreases in enrollment, *Nevada Revised Statutes* contains a "hold harmless" provision. The guaranteed level of funding is based the higher of the current or the previous two year's enrollment.

An additional provision assists school districts that experience significant growth in enrollment within the school year. If a district grows by more than 3 percent but less than 6 percent after the second school month, a growth increment consisting of an additional 2 percent of basic support is added to the guaranteed level of funding. If a district grows by more than 6 percent, the growth increment is 4 percent.

Special Education is funded on a "unit" basis, with the amount per unit established by the Legislature. A "unit" includes the full-time services of licensed personnel providing a program of instruction in accordance with minimum standards prescribed by the State Board of Education. Special Education unit funding is provided in addition to the Basic Per-Pupil Support Rate.

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<sup>1</sup> The Distributive School Account is financed by legislative appropriations from the state's General Fund and other revenues, including a 2.25-cent tax on out-of-state sales, an annual slot machine tax, mineral land lease income, and interest from investments of the Permanent School Fund, and a portion of estate taxes collected.



The *difference* between total guaranteed support and local resources is state aid, which is funded by the Distributive School Account. Revenue received by the school district from the 2.25 percent Local School Support Tax and 25 cents of the property tax is deducted from the school district's Total Basic Support Guarantee to determine the amount of state aid the district will receive. If local revenues from these two sources are less than anticipated, state aid is increased to cover the total guaranteed support. If these two local revenues come in higher than expected, state aid is reduced.

In addition to revenue guaranteed through the Nevada Plan, school districts receive other revenue considered "outside" the Nevada Plan. Revenues outside the formula, which are not part of the guarantee but are considered when calculating each school district's relative wealth, include the following: 50 cents of the Ad Valorem tax on property; the share of basic government services tax distributed to school districts; franchise tax; interest income; tuition; unrestricted federal revenue, such as revenue received under P. L. 81-874 in lieu of taxes for federally impacted areas; and other local revenues.

Local districts also receive funding from the Distributive School Account for Adult High School Diploma Programs. The maximum funding for Adult High School Programs in the school districts and in the state's prisons is established by the Legislature.

In addition to revenues recognized by the Nevada Plan, school districts receive "categorical" funds from the state, federal government and private organizations that may only be expended for designated purposes. Examples include the state-funded Class-Size Reduction Program, Early Childhood Education, Remediation Programs and Student Counseling Services. Federally funded programs include the No Child Left Behind Act, the National School Lunch Program, and the Individuals with Disabilities Education Act (IDEA). Categorical funds must be accounted for separately in special revenue funds. Funding for capital projects, which may come from the sale of general obligation bonds, "pay-as-you-go" tax levies or fees imposed on the construction of new residential units are also accounted for in separate funds (Capital Projects fund, Debt Service fund).

Source: Fiscal Analysis Division, Legislative Counsel Bureau  
Revised, December 2004

## NEVADA PLAN EXAMPLE—SUMMARY

To understand how the system works, follow the steps in the example beginning on the following page. The count of pupils for apportionment purposes (1) is the number of children enrolled on the last day of the first school month in regular or special education programs, except that each kindergarten pupil and handicapped or gifted and talented child under the age of five is counted as six-tenths of a pupil. In instances of declining enrollment, the higher of the current or previous two year's enrollment is used. This weighted enrollment figure is multiplied by the basic per-pupil support guarantee for the school district for that school year (2) to determine the school district's guaranteed basic support (3). Next, the number of state supported special education units maintained and operated by the district that year is multiplied by the amount per program unit established for that school year (4), and the product is added to basic support to obtain the school district's total guaranteed basic support (5). This product is the amount of funding guaranteed to the school district from a combination of state and local funds.

Revenue received by the school district from the 2.25 percent LSST and 25 cents of the property tax (6) is deducted from the school district's total guaranteed basic support to determine the amount of state aid the district will receive (7). If local revenues from these two sources are less than anticipated, state aid is increased to cover the total basic support guarantee. If these two local revenues come in higher than expected, state aid is reduced. The difference between total guaranteed support and local resources is state aid, and it is funded by the DSA.

An amount for adult high school diploma programs (8), together with any specific programs funded by the Legislature through the DSA, are added to a school district's total state aid to determine the total amount of revenue the school district will receive from the Distributive School Account (9).

Sources of revenue "outside" the formula are summed (15) and added to total guaranteed support (5) and the amount provided for adult high school diploma programs, and other legislatively approved programs (8), to determine the school district's total available resources (16).

## The Nevada Plan - An Example

The following example illustrates the guaranteed funding process based on the revenue of a hypothetical district and, in addition, shows other revenue outside of the guarantee, making up the total resources included in an operating budget.

<u>Basic Support Guarantee</u>	<u>District Example</u>
1. Number of Pupils (Weighted Enrollment <sup>2</sup> )	7,000
2. x Basic Support Per Pupil	\$ <u>4,500</u>
3. = Guaranteed Basic Support	\$ 31,500,000
4. + Special Education Allocation (52 units @ \$28,000 per unit)	\$ <u>2,080,000</u>
5. = Total Guaranteed Support	\$ 33,580,000
6. - Local Resources	
2.25-cent Local School Support (sales) Tax	(\$15,800,000)
25-cent Ad Valorem (property/mining) Tax	<u>(\$ 4,600,000)</u>
7. = State Responsibility	\$ 13,180,000
8. + Adult High School Diploma Funding	\$ <u>35,000</u>
9. = Total Revenue from Distributive School Account	\$ 13,215,000

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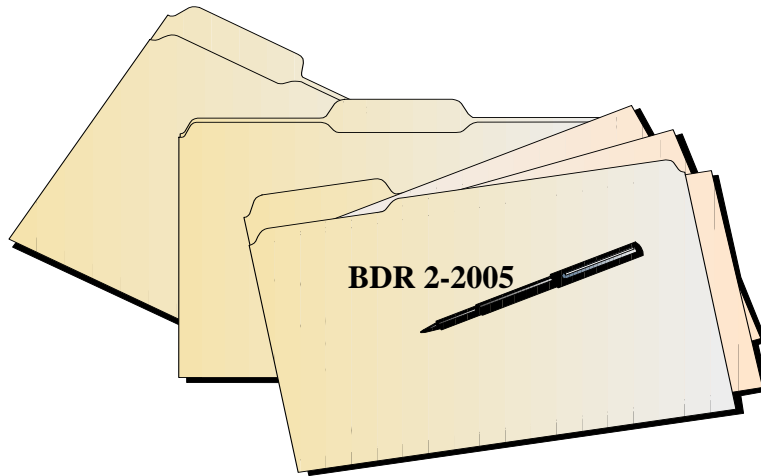
<sup>2</sup> Weighted Enrollment includes six-tenths the count of pupils enrolled in kindergarten, six-tenths of the count of handicapped 3- and 4-year-olds, a full count of pupils enrolled in grades 1 through 12, and a full count of handicapped minors age 5 and over receiving special education.

**Resources in Addition to Basic Support:**

10. 50-cent Ad Valorem (property) Tax	\$ 9,200,000
11. Local Government Services Tax	2,700,000
12. Federal Revenues (Unrestricted)	150,000
13. Miscellaneous Revenues	10,000
14. Opening Fund Balance	<u>3,000,000</u>
15. Total Resources in Addition to Basic Support	<u>\$15,060,000</u>
16. Total Resources Available (Add lines 5, 8 and 15)	<b>\$48,675,000</b>

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# VIII. FISCAL NOTES INFORMATION



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## FISCAL NOTES

The fiscal note is a document that details the adverse fiscal effect of certain bills, resolutions, and ballot questions and becomes a part of the bill, resolution, or ballot question. The statutory provisions regarding fiscal notes are found in NRS 218.272 through 218.2757, inclusive. A bill or joint resolution is required to have a fiscal note if it does not contain an appropriation and meets any of the following criteria: has an adverse effect on any state agency in excess of \$2,000; has an adverse fiscal effect on any local government; affects premiums for industrial insurance or the state insurance fund; or increases or provides for a new term of imprisonment or makes release on parole or probation less likely. Information regarding the necessity of a fiscal note can be found in the bill summary. All ballot questions have fiscal notes.

When a bill or resolution is drafted, the Legislative Counsel consults with the Fiscal Analysis Division to determine if a fiscal note is required. The Fiscal Analysis Division then informs the party requesting the bill draft that a fiscal note is required and requests written permission to begin preparing the fiscal note. If the requesting party does not give permission, the preparation of the fiscal note is started automatically upon introduction of the bill. Although a bill can be introduced without a fiscal note, the legislative committees may not vote on a measure that requires a fiscal note until the fiscal note is attached.

Any legislator may request that a fiscal note be done or redone on any bill while it is before the House of the Legislature to which the legislator belongs or a standing committee of that House. Upon receiving the request, the presiding officer of the full House or the committee may direct the Fiscal Analysis Division to obtain the requested note. A fiscal note is required only on the original bill or joint resolution unless an amendment by either House invalidates the original fiscal note and the presiding officer directs the Fiscal Analysis Division to obtain a new fiscal note showing the effect of the amended bill or joint resolution.

During the preparation of the fiscal note, the Fiscal Analysis Division releases the contents of a bill on a need-to-know basis only and does not release the name of the party requesting the bill. State agencies have 5 working days from the date of request to prepare the fiscal information, send it to the Department of Administration for review and comments and return it to the Fiscal Analysis Division. The Fiscal Division may grant up to a 10-day extension if the subject requires extensive research. Fiscal information prepared by the judicial branch, the legislative or other non-executive branch agencies is returned directly to the Fiscal Analysis Division and is not subject to administration review. Local government fiscal notes are prepared by the Fiscal Analysis Division after consulting with appropriate local government agencies.



**THE FISCAL NOTE PROCESS**

