

Summary of Nevada Tax Proposals

April 21, 2015

Introduction

The Nevada Legislature is considering three major tax proposals: SB 252 (Business License Fee), SB 378 (Supplemental Revenue Fee), and AB 464 (Hybrid Tax).¹ Key components of each tax are summarized below.

Governor's Business License Fee Proposal (SB 252)

- Basis for tax
 - Gross receipts, taxed using a restructured Business License Fee.
- Small businesses
 - Businesses will pay \$400 if they have annual gross receipts up to \$125,000.
- Tax rate for each industry
 - Rates for each industry are based on effective industry tax rates that occurred after implementation of the Texas Franchise Tax (margin tax).
 - Rates take into account deductions for cost of goods sold, compensation, or 30 percent of revenue, based on the experience in Texas.
 - Rates are not correlated to profit margins for each industry, nor do rates take into account differences in labor costs between Texas and Nevada.
- Amount paid depends on gross receipts
 - The tax rate will not be applied to actual gross receipts.
 - Businesses will use a table with gross receipts ranges to find the amount of the tax.
 - Each range is 15 percent higher than the previous range.
 - The amount of tax for each range is based on the midpoint of the range multiplied by the tax rate.
- Non-employee businesses
 - Pay \$400, regardless of gross receipts.
- Modified Business Tax (MBT)
 - Continue the MBT at current rates of 2 percent for financial institutions and 1.17 percent for other businesses.
 - Increase the MBT rate for mining to 2 percent (Governor's proposal in SB 483).

Supplemental Revenue Fee (SB 378)

- Basis for tax
 - Gross receipts, taxed using a new Supplemental Revenue Fee.
- Small businesses
 - All businesses will receive a deduction for the first \$100,000 in annual gross receipts.
- One tax rate for all industries
 - The tax rate is 0.465 percent + \$200 for annual revenue over \$100,000.
- Modified Business Tax (MBT)
 - Repeal the MBT for all businesses except--maintain the 2 percent tax rate on financial institutions and increase the tax rate for mining from 1.17 percent to 2 percent.
- Business License Fee
 - Continue the existing \$200 annual Business License Fee.

¹ Pursuant to Joint Standing Rule No. 14.3.1 (and the deadline of April 10, 2015), there will be no further action allowed on SB 378.

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Hybrid Tax Proposal (AB 464)

- Basis for tax
 - Payroll, taxed using a restructured Modified Business Tax.
- Small businesses
 - Change the MBT deduction from \$85,000 per quarter to \$50,000 per quarter.
- One tax rate for all industries
 - Increase the MBT tax rate from 1.17 percent to 1.56 percent.
 - Reduce the MBT tax rate for financial institutions from 2 percent to 1.56 percent.
 - Remove the deduction for health benefit expenses.
- Business License Fee
 - Non-corporations will pay a \$300 annual Business License Fee.
 - Corporations will pay a \$500 annual Business License Fee.

Comparison of Effective Tax Rates under Three tax proposals (SB 252, SB 378, and AB 464)

	Revenue (US\$)	Business License Fee + MBT (SB252)	Supplemental Revenue Fee + MBT+BLF (SB378)	Assembly Hybrid Tax (AB 464)	Margin Tax 2014 + MBT	Modified Business Tax (Current Rate)
Governor Examples						
A. Construction	2,000,000	0.216%	0.462%	0.339%	1.400%	0.129%
B. Financial Activities	5,500,000	0.213%	0.548%	0.024%	1.400%	0.084%
C. Health Services	27,000,000	0.381%	0.465%	0.257%	1.400%	0.172%
D. Retail Trade	17,000,000	0.161%	0.465%	0.066%	1.400%	0.034%
Business Examples						
1. Construction Subcontractor	1,476,000	0.380%	0.461%	0.701%	0.686%	0.291%
2. Commercial Insurance Broker	1,834,000	0.405%	0.461%	0.604%	1.043%	0.278%
3. Small Medical Practitioner	3,790,000	0.607%	0.463%	0.599%	1.143%	0.396%
4. Automotive and Accessories Retail Sales	31,137,000	0.251%	0.465%	0.207%	0.740%	0.129%
5. Real Estate Broker	15,186,000	0.630%	0.465%	0.550%	1.272%	0.351%
6. Telecommunications Business	23,114,000	0.499%	0.465%	0.245%	1.400%	0.162%
7. Average Large Las Vegas Strip Casino	654,772,409	0.355%	0.295%	0.309%	0.887%	0.207%
8. Restaurant with 15 Slots	1,300,000	0.211%	0.460%	0.146%	0.646%	0.000%
9. Gold Mine	100,000,000	0.133%	0.337%	0.186%	1.400%	0.115%

See full report: Comparison of 2015 Nevada Tax Proposals: <http://guinncenter.org/publications/policy-reports/#GoverningNevada>

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