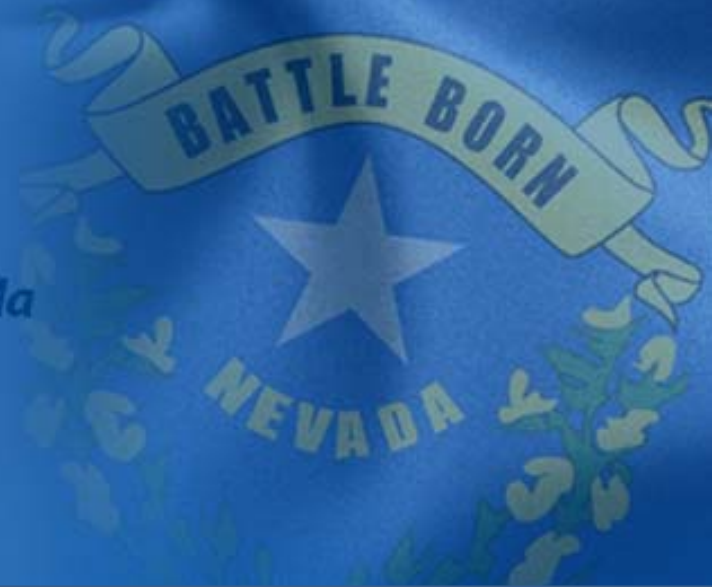




Guinn Center *For Policy Priorities*

Progress for a 21st Century Nevada



Tax Policy Townhall

April 21, 2015

UNLV | **WILLIAM S. BOYD**
SCHOOL OF LAW



ACCION



Panelists

- **Dr. Nancy E. Brune**
 - Executive Director, Guinn Center
- **Victoria “Tori” Carreón**
 - Director of Education Policy, Guinn Center
- **Francine Lipman,**
 - Professor, UNLV William S. Boyd School of Law
- **Barbara Buckley**
 - Former Assembly Speaker

Governor's Business License Fee Proposal (SB 252)

- Basis for tax
 - Gross Receipts, taxed using a restructured Business License Fee
- Small businesses
 - Pay \$400 if have annual gross receipts up to \$125,000
- Tax rate for each industry
 - Based on effective industry tax rates under Texas Franchise Tax (margin tax)
 - Rates take into account deductions for cost of goods sold, compensation, or 30% of revenue in Texas
 - Rates not correlated to profit margins for each industry or differences in labor costs

Governor's Business License Fee Proposal (SB 252)

- Amount paid depends on gross receipts
 - Tax rate not applied to actual gross receipts
 - Businesses will use a table with gross receipt ranges to find amount of tax
 - Each range is 15% higher than the previous range
 - Amount of tax for each range based on midpoint of range multiplied by tax rate
- Non-employee businesses
 - Pay \$400, regardless of gross receipts
- Modified Business Tax (MBT)
 - Continue the MBT at current rate of 2% for financial institutions and 1.17% for other businesses
 - Rate for mining recommended to increase to 2% in SB 483

Supplemental Revenue Fee (SB 378)

- Basis for tax
 - Gross Receipts, taxed using new Supplemental Revenue Fee
- Small businesses
 - Deduction for first \$100,000 in annual gross receipts
- One tax rate for all industries
 - 0.465% + \$200 for annual revenue greater than \$100,000
- Repeal MBT for all businesses except financial institutions and mining (tax rate of 2%)
- Continue existing \$200 Business License Fee

Assembly Hybrid Tax (AB 464)

- Basis for tax
 - Payroll, using restructured MBT
- Small businesses
 - Change MBT payroll deduction from \$85,000 per quarter to \$50,000 per quarter
- Remove deduction for health benefit expenses
- Increase MBT tax rate from 1.17% to 1.56%
- Business License Fee
 - Non-corporations pay \$300
 - Corporations pay \$500

2014 Margin Tax Proposal

- Basis for tax
 - Gross Receipts
- Small businesses
 - Affects businesses with over \$1 million gross receipts
- Tax calculated by multiplying 2% by the “margin”
- To determine the margin, calculate the lesser of:
 - 70% of the total revenue of the business; or
 - Total revenue minus either the cost of goods sold; or
 - Total revenue minus employee compensation plus benefits
- Credit provided for amount of MBT paid

Business License Fee (SB 252)

Small Medical Practitioner

A. Receipts as defined		\$3,790,000
B. Tax rate for industry		0.208%
C. Range for Industry	3,578,360 to 4,115,114	
D. Business License Fee		7,982
E. Plus MBT Current Rate		<u>+15,023</u>
F. Total tax due (D+E)		23,005
Effective Tax Rate		0.607%

Supplemental Revenue Fee (SB 378)

Small Medical Practitioner

A. Receipts as defined	\$3,790,000
B. Deduction for 1 st \$100,000	<u>-\$100,000</u>
C. Net (A-B)	\$3,690,000
D. Tax Rate	0.465%
E. Tax (C*D)+\$200	\$17,359
F. Plus MBT for financial and mining	+\$0
G. Plus Business License Fee	<u>+\$200</u>
H. Total tax due (E+F+G)	\$17,559
Effective Tax Rate	0.463%

Hybrid Tax (AB 464)

Small Medical Practitioner

A. Receipts as defined	\$3,790,000
B. Annual Payroll	\$1,624,000
C. Quarterly taxable wages (B/4)	\$406,000
D. Quarterly deduction	\$50,000
E. Quarterly Taxable Amount (C-D)	\$356,000
F. Tax Rate	1.56%
G. Quarterly Tax (E*F)	\$5,554
H. Annual Tax (G*4)	\$22,214
I. Plus Business License Fee	<u>+\$500</u>
J. Total Tax (H+I)	\$22,714
Effective Tax Rate	0.599%

Business License Fee (SB 252)

Real Estate Broker

A. Receipts as defined	\$750,000
B. Tax rate for industry	0.272%
C. Range for Industry	668,816 to 769,138
D. Business License Fee	1,958
E. Plus MBT Current Rate	+ <u>0</u>
F. Total tax due (D+E)	1,958
Effective Tax Rate	0.261%

Supplemental Revenue Fee (SB 378)

Real Estate Broker

A. Receipts as defined	\$750,000
B. Deduction for 1 st \$100,000	<u>-\$100,000</u>
C. Net (A-B)	\$650,000
D. Tax Rate	0.465%
E. Tax (C*D)+\$200	\$3,223
F. Plus MBT for financial and mining	+\$0
G. Plus Business License Fee	<u>+\$200</u>
H. Total tax due (E+F+G)	\$3,423
Effective Tax Rate	0.456%

Hybrid Tax (AB 464) Real Estate Broker

A. Receipts as defined	\$750,000
B. Annual Payroll	\$270,000
C. Quarterly taxable wages (B/4)	\$67,500
D. Quarterly deduction	\$50,000
E. Quarterly Taxable Amount (C-D)	\$17,500
F. Tax Rate	1.56%
G. Quarterly Tax (E*F)	\$273
H. Annual Tax (G*4)	\$1,092
I. Plus Business License Fee	<u>+\$500</u>
J. Total Tax (H+I)	\$1,592
Effective Tax Rate	0.212%

Business License Fee (SB 252)

Small Professional Services Business

A. Receipts as defined	\$300,000
B. Tax rate for industry	0.197%
C. Range for Industry	289,144 to 332,515
D. Business License Fee	613
E. Plus MBT Current Rate	<u>+0</u>
F. Total tax due (D+E)	613
Effective Tax Rate	0.204%

Supplemental Revenue Fee (SB 378)

Small Professional Services Business

A. Receipts as defined	\$300,000
B. Deduction for 1 st \$100,000	<u>-\$100,000</u>
C. Net (A-B)	\$200,000
D. Tax Rate	0.465%
E. Tax (C*D)+\$200	\$1,130
F. Plus MBT for financial and mining	+\$0
G. Plus Business License Fee	<u>+\$200</u>
H. Total tax due (E+F+G)	\$1,330
Effective Tax Rate	0.443%

Hybrid Tax (AB 464)

Small Professional Services Business

A. Receipts as defined	\$300,000
B. Annual Payroll (38% of receipts)	\$114,000
C. Quarterly taxable wages (B/4)	\$28,500
D. Quarterly deduction	\$50,000
E. Quarterly Taxable Amount (C-D)	\$0
F. Tax Rate	1.56%
G. Quarterly Tax (E*F)	\$0
H. Annual Tax (G*4)	\$0
I. Plus Business License Fee	<u>+\$500</u>
J. Total Tax (H+I)	\$500
Effective Tax Rate	0.167%

Effective Tax Rates for Various Industries

Business Examples	Revenue	Business License Fee + MBT (SB252)	Supplemental Revenue Fee + MBT+BLF (SB378)	Assembly Hybrid Tax (AB 464)
1. Construction Subcontractor	1,476,000	0.380%	0.461%	0.701%
2. Commercial Insurance Broker	1,834,000	0.405%	0.461%	0.604%
3. Small Medical Practitioner	3,790,000	0.607%	0.463%	0.599%
4. Automotive and Accessories Retail Sales	31,137,000	0.251%	0.465%	0.207%
5. Real Estate Broker	15,186,000	0.630%	0.465%	0.550%
6. Telecommunications Business	23,114,000	0.499%	0.465%	0.245%
7. Average Large Las Vegas Strip Casino	654,772,409	0.355%	0.295%	0.309%
8. Restaurant with 15 Slots	1,300,000	0.211%	0.460%	0.146%
9. Gold Mine	100,000,000	0.133%	0.337%	0.186%

Small Business Effective Tax Rates

No.	Revenue	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)
1	25,000	0.000%	0.000%	0.000%	0.000%	0.000%
2	50,000	0.800%	0.400%	0.600%	0.000%	0.000%
3	100,000	0.400%	0.200%	0.300%	0.000%	0.000%
4	125,000	0.320%	0.413%	0.240%	0.000%	0.000%
5	150,000	0.267%	0.422%	0.330%	0.000%	0.000%
6	200,000	0.202%	0.433%	0.250%	0.000%	0.000%
7	250,000	0.185%	0.439%	0.200%	0.000%	0.000%
8	300,000	0.204%	0.443%	0.167%	0.000%	0.000%
9	400,000	0.203%	0.449%	0.125%	0.000%	0.000%
10	500,000	0.186%	0.452%	0.100%	0.000%	0.000%
11	600,000	0.206%	0.454%	0.156%	0.000%	0.000%
12	700,000	0.203%	0.456%	0.219%	0.000%	0.000%
13	800,000	0.204%	0.457%	0.265%	0.000%	0.000%
14	900,000	0.208%	0.458%	0.302%	0.000%	0.000%
15	1,000,000	0.203%	0.459%	0.331%	1.240%	0.016%

Questions?

See our website for our tax policy reports:

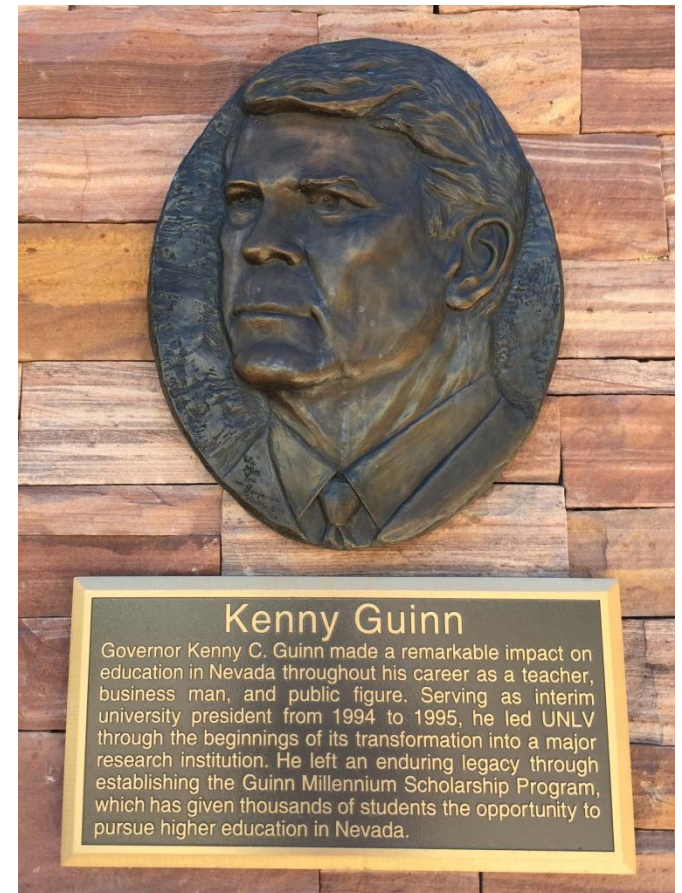
<http://guinncenter.org/publications/policy-reports/#GoverningNevada>

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General Fund Revenues & Population



History of State Funding for Education

