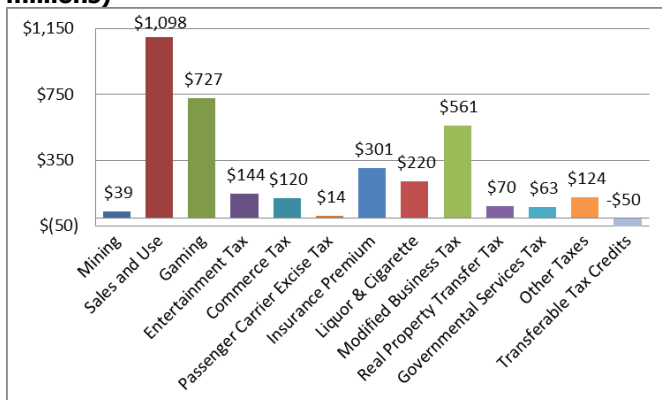


Nevada Taxes 101

WHAT TAXES GO INTO THE STATE GENERAL FUND?

The General Fund is the primary source of revenue for State operations. Total General Fund revenue is projected to be \$3.6 billion in Fiscal Year (FY) 2016, which includes \$3.4 billion in tax revenue and \$200 million in other revenues. Figure 1 shows projected tax revenue from each major source in FY 2016. The largest revenue sources are Sales Tax, Gaming Taxes, and the Modified Business Tax. The State also provides transferable tax credits, which can be taken against various types of taxes.

Fig. 1: General Fund Taxes- FY 2016 Projected (in millions)



Source: Nevada Legislative Counsel Bureau, Fiscal Division

WHAT CHANGES TO TAXES WERE MADE BY THE 2015 LEGISLATURE?

In 2015, the Nevada Legislature adopted a major tax package which accomplished the following changes:

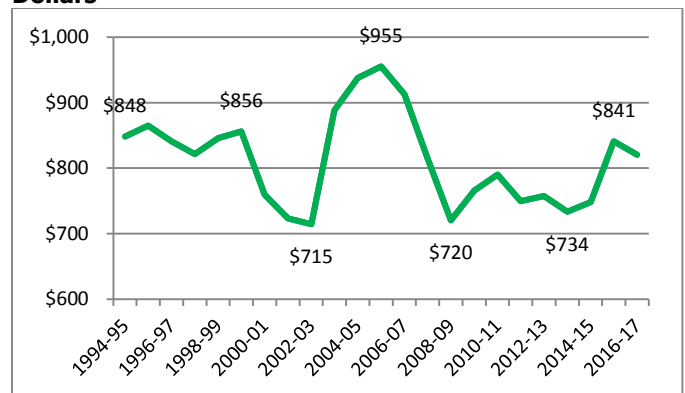
- Implemented a new Commerce Tax for businesses with annual revenue exceeding \$4 million;
- Increased the Modified Business Tax (MBT) rate from 1.17 percent to 1.475 percent and decreased the taxable wages exemption from \$85,000 to \$50,000 per quarter;
- Increased the MBT for mining businesses from 1.17 percent to 2 percent, with no exemption for taxable wages;
- Created a tax credit of 50 percent of the Commerce Tax against the MBT;
- Changed the Business License Fee from \$200 for all businesses to \$500 for corporations and \$200 for all other businesses;
- Increased the Cigarette Tax from \$.80 to \$1.80 per pack;
- Extended the sunset on prepayment of the Net Proceeds of Minerals Tax to June 30, 2016;
- Implemented a new Passenger Carrier Excise Tax of 3 percent on fares charged by taxis and transportation network companies;
- Changed the structure of the Live Entertainment Tax and created a single tax rate of 9 percent on the admission

- charge to a facility;
- Implemented changes to phase out the transfer of Governmental Services Taxes to the General Fund by 2018;
- Made the 2.6 percent Local School Support Tax (sales tax) rate permanent; and
- Delayed making the 3 percent room tax a supplemental source of funds for schools from FY 2016 to FY 2018.

HAVE STATE TAXES KEPT PACE WITH INFLATION AND POPULATION GROWTH?

State taxes have not kept pace with inflation and population growth. Figure 2 illustrates that State tax revenue per capita has historically fluctuated based on changes in the economy and tax policy. State tax revenue per capita reached a peak of \$955 in FY 2006 following implementation of a comprehensive tax package in 2003. It fell to \$720 in FY 2009 during the Great Recession. Based on the tax package adopted by the Legislature in FY 2015, tax revenue per capita is projected to climb to \$841 in FY 2016, which is still \$114 below the peak in FY 2006.

Fig. 2: State Tax Revenue per Capita in Constant FY 2000 Dollars

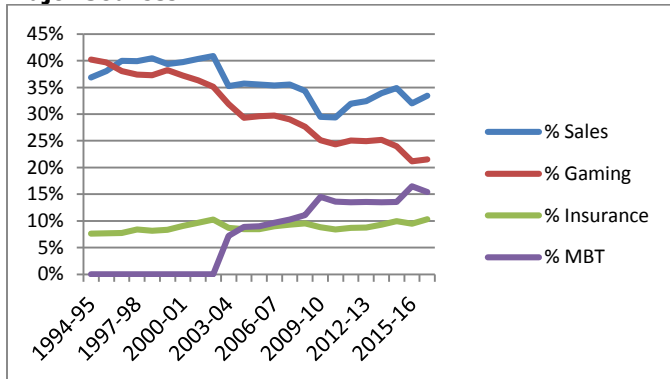


Source: Nevada Legislative Counsel Bureau, Fiscal Division

HOW HAS THE COMPOSITION OF STATE TAXES CHANGED?

As Nevada's economy and tax structure have evolved, the composition of State taxes has also changed. Figure 3 shows how each major tax has changed over time as a percentage of total General Fund taxes. In FY 1995, gaming taxes were the single largest revenue source for the General Fund at 40 percent of revenue. Over time, gaming's share of revenue has shrunk considerably and is projected to be only 21 percent in FY 2016. Sales tax is currently the largest source of General Fund revenue in Nevada, but its share of revenue has also decreased over time. The greatest growth has been in the MBT, which began in FY 2004 and is projected to represent 17 percent of General Fund revenue in FY 2016.

Fig. 3: Change in Percentage of General Fund Taxes from Major Sources



Source: Nevada Legislative Counsel Bureau, Fiscal Division

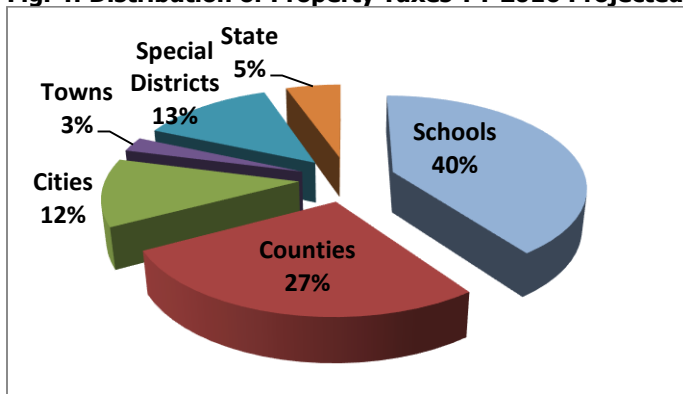
WHAT TAXES DO LOCAL GOVERNMENTS RECEIVE?

The two largest sources of revenues for local governments are Property Taxes and Consolidated Taxes, also known as the CTX.

Property Taxes are distributed to local governments, schools, and the State. The Property Tax rate varies in each jurisdiction, but the combined rate for each county cannot exceed the statutory cap of \$3.64 per \$100 of assessed valuation. The State also assesses \$0.02 per \$100 of assessed valuation outside the statutory cap for debt service for State capital projects.

For FY 2016, statewide Property Taxes are projected to be \$2.6 billion. Per Figure 4, school districts receive the greatest share of property taxes (40 percent), followed by counties (27 percent) and cities (12 percent).

Fig. 4: Distribution of Property Taxes-FY 2016 Projected

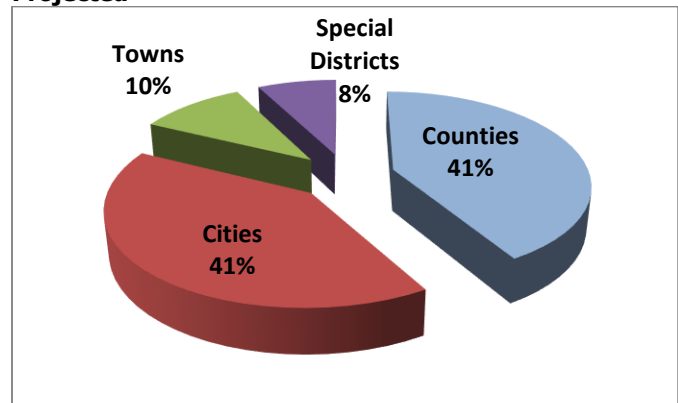


Source: Nevada Department of Taxation

The CTX is composed of several sources: Sales Tax (Basic City County Relief Tax and Supplemental City County Relief Tax), Cigarette Tax, Liquor Tax, Real Property Transfer Tax, and the Governmental Services Tax. Funds are allocated based on prior year receipts, adjusted for changes in inflation, population, and assessed valuation for each local entity. For FY 2016, CTX

revenue is projected to total \$1.3 billion statewide. Figure 5 illustrates that both cities and counties are each projected to receive about 41 percent of CTX revenue in FY 2016. Towns and special districts receive the remainder of these funds.

Fig. 5: Distribution of Consolidated Taxes-FY 2016 Projected

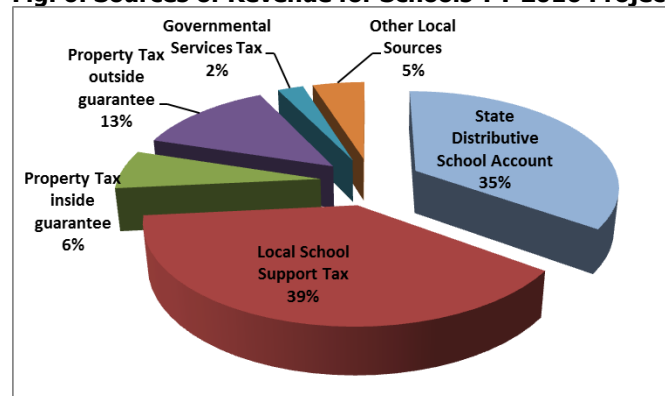


Source: Nevada Department of Taxation

WHAT TAXES DO SCHOOLS RECEIVE?

School districts receive a combination of State and local funding in their General Funds. Local funding includes Sales Tax (Local School Support Tax [LSST]), Property Taxes, and Governmental Services Taxes. The mixture of State and local taxes varies by school district. Total statewide revenue to schools is projected to be \$3.2 billion in FY 2016. Per Figure 6, the largest source of funding is the LSST (39 percent), followed by State taxes provided through the Distributive School Account (35 percent). Property Taxes received inside and outside the school funding guarantee account for 19 percent of revenue.

Fig. 6: Sources of Revenue for Schools-FY 2016 Projected



Source: Nevada Department of Education

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