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October 9, 2015

Deonne E. Contine
Executive Director
Nevada Department of Taxation
1550 College Parkway, Suite 115
Carson City, Nevada 89706-7937

Subject: Nevada Commerce Tax - Initial Comments on Draft Regulations

Dear Ms. Contine:

The American Insurance Association submits the following comments on the Department of Taxation's draft Commerce Tax regulations.

The American Insurance Association (AIA) is the leading national trade association of the property and casualty (P&C) insurance industry. AIA members collectively underwrite nearly \$1 billion in direct P&C premiums in Nevada, including some one-third of the commercial P&C insurance market in this State. AIA commends the Department of Taxation (DOT) for providing this opportunity for stakeholders to comment on draft regulations implementing the Commerce Tax enacted earlier this year in Senate Bill No. 483, and looks forward to addressing any other issues of concern to AIA members as the formal regulatory process moves forward.

'Check the Box' for Gross Revenue Below Statutory Threshold

DOT's "Commerce Tax Questions and Answers," dated September 8, 2015, provide that a business entity subject to the tax is required to file a return whether or not it has tax liability and that "those entities that do not have \$4,000,000 in gross revenue will only be required to report their Nevada gross revenue amount(s) and will not be required to provide any additional information."

AIA urges DOT to adopt a 'check the box' approach, whereby business entities with less than \$4,000,000 in gross revenue would be permitted to check a box on their signed return to confirm this fact. This approach would be consistent with the statute, which does not appear to require detailed reporting by such business entities, and would simplify taxpayer compliance and DOT's administration of the tax.

Gross Revenue: Insurer Premiums


Under §21(f) of Senate Bill 483, if an insurer is required to pay tax under NRS chapter 680B (the insurance premium tax), it may deduct from gross revenue direct premiums written to the extent such premiums otherwise are includible in its gross revenue. Under §50 of this bill, the method of accounting for gross revenue for Commerce Tax purposes must match the method used for federal income tax purposes.

P&C insurers report on an “earned premium” basis for federal income tax purposes and a direct premiums written basis for statutory financial accounting (and Nevada premium tax) purposes. A P&C insurer’s direct premiums written, but not its earned premiums, are reported by state and on a quarterly basis on Schedule T of the NAIC’s approved Annual Statement (which also provides the basis for calculating Nevada’s premium tax). To avoid any confusion about the effect of §50 in this context, AIA recommends that DOT’s regulations confirm that P&C insurers should report premium for Commerce Tax purposes on a direct premiums written basis.

Extensions

Under §20.4 of Senate Bill 483, DOT may grant discretionary “good cause” extensions of the deadline for a business entity to pay the Commerce Tax. In general, Commerce Tax returns are due by August 15. As a general rule, however, P&C insurers do not know their premium amounts for the quarter ended June 30 at the time of the August 15 filing deadline. AIA urges DOT to allow for discretionary extensions, not only for payment, but also for filing Commerce Tax returns. This discretion could accommodate special industry needs, like the timing of P&C insurer premium reporting, while assuring that the return is received at the same time as payment, thereby also simplifying administration of the tax.

Respectfully submitted,



STEVEN SUCHIL

Assistant Vice President/Counsel