LAWRENCE M. GAINES, CPA

FACSIMILE TRANSMITTAL SHEET

TO:	FROM:
Director, Dionne Contine	
COMPANY:	**DATE:**
Dept of Taxation	8/15/2015
FAX NUMBER:	**TOTAL NO. OF PAGES INCLUDING COVER:**
775-684-2020	4

RE:

Commercial Tax – Request for
answers to questions

☐ URGENT   FOR REVIEW   ☐ PLEASE COMMENT   **X**PLEASE REPLY   ☐ PLEASE RECYCLE

NOTES/COMMENTS:

Please respond to the copy of the attached letter.

Thank you.

August 14, 2015

Department of Taxation
1550 College Pkwy, Suite 115
Carson City, NV 89706-7937
ATTN: Director
       Dionne Contine

SENT BY	**And**	**FAXED TO**
Certified Mail- Return Receipt Requested #7008 3230 0001 5800 4647		775-684-2020

Re: Commercial Tax

Dear Ms Contine:

On behalf of our client, who is a real estate broker, we have attempted to find detailed guidance on reporting the revenues and calculation of the tax. Although we have searched the suggested website, the information is too general and does not address certain specifics. When contacting the call center, the auditor was not able to find the necessary information and suggested we contact you by written correspondence requesting answers and guidance.

The following is a description of selected facts and a list of questions.

FACTS:

The company is a real estate broker operating in the form of a corporation. As a broker, the company earns and receives commissions on all of the real estate sales produced by its real estate agents. The real estate agents in turn are paid 100% of the commissions earned and received by the broker. In turn, the broker charges and receives its income from services it provides to their real estate agents. The revenue structure is as follows:

Gross commissions received from the sale of real estate	$ 12,000,000
Less: commissions paid to agents at 100%	(12,000,000)
Net commissions received	0
Other income, primarily from fees charged to agents for services rendered by the broker	3,000,000

QUESTIONS:

1. What is the NAICS code for a real estate broker?

2. What is the tax rate for a real estate broker?

3. Should the gross revenues reported be $15M or $3M?
   ($12M + $3M = $15M or
   $12M -$12M +$3M = $3M)

2. If the gross revenues to be reported are $15M, is there an offset or exemption for the 100% commission paid out to the real estate agents to adjust the gross revenue reported to taxable revenue? (The broker is the conduit for transferring 100% of the commission to the agents).

3. Where is the $4,000,000 exemption applied?

4. Are the real estate agents subject to the commercial tax for the 100% commissions they receive?

5. If the real estate agents are subject to the tax, do the agents apply for and pay the tax on their own account? If so, what is the NAICS code and tax rate for the agent?

6. Is it possible that the same $12M commissions received by the broker and the sales agents are reportable by both entities, subject to possible taxation if in excess of $4M (even though there is no gain on the $12M commission received by the broker, since the broker is the conduit for transferring 100% of the commission to the agent)

7. If there are multiple entities with common ownership (100%), does each entity report and pay the commercial tax individually, if there is a tax liability, or is gross revenue from all commonly owned entities aggregated and reported by the largest entity? Does the answer change if one or more entities are in different businesses?
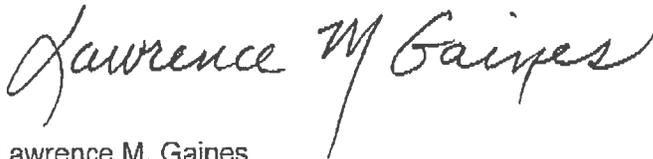
Since the commercial tax is effective beginning July 1, 2015, and the accruing tax liability may be significant, it is crucial to get answers to the above questions quickly. We would hope to get your answers by August 31, 2015.

We appreciate your help on this matter and look forward to your reply.

Very truly yours,

Lawrence M. Gaines