

OFFICERS

Robert Stepper, Chairman
Coeur Rochester Mine
Greg Walker, Chair Elect
Nevada Gold Mines
Amanda Hilton, Vice Chair
KGHM – Robinson Mine

Dana R. Bennett, President

DIRECTORS

Trent Anderson
Graymont Western
Shana Blakeley
Alio Gold, Inc.
Andy Britton
Fiore Gold Pan Mine
MaryKaye Cashman
Cashman Equipment
Amanda Christensen
Sandvik Mining and Rock
Technology
David Copley
EP Minerals
Steve Cochrane
Cyanco
Rebecca Darling
Nevada Gold Mines
Alex Deeds
American Mining &
Tunneling
Brian Dowd
Granite Construction
Tim Dyhr
Nevada Copper
Greg Gibson
SSR Mining – Marigold
Randy Griffin
Lhoist North America
Annie Huhta
University of Nevada, Reno
Jeff Jenkins
Franco-Nevada
Jack McMahon
Elko Mining Group
Randy Miller
Broadbent & Associates
Karen Narwold
Albemarle Corporation
Colt Nelson
Hecla Mining Company
Ron Parratt
Renaissance Exploration
Damien Renwick
Cyanco
Tony Sanchez
NV Energy
Randy Shefman
Royal Gold
Bruce Thieking
Kinross Gold
William Hofer
Jerritt Canyon Gold
Alexi Zawadzki
Lithium Nevada Corporation

October 8, 2019

Jeffrey Mitchell
Department of Taxation
Deputy Director
Local Government Services
1550 College Pkwy.
Carson City, NV 89706

Dear Mr. Mitchell:

Thank you for the opportunity to provide comments concerning an amendment to the provision in *Nevada Administrative Code* (NAC) 360.050 governing the amount of the rebuttable presumption deduction from contracting services.

The Nevada Mining Association (NvMA) is the premier trade association for the mining industry in Nevada. Since 1913, NvMA has represented all facets of the industry in this state; currently, more than 530 companies are members of this statewide, diverse organization. In this case, NvMA represents mine operators who pay the net proceeds of minerals tax.

We welcome this opportunity to suggest a technical amendment to this particular regulation. As you know, during the recent Great Recession, the Nevada Legislature temporarily disallowed certain deductions in the calculation of net proceeds. At 20%, the rebuttable presumption deduction ensured a “safe harbor” level for disallowance and that disallowance was also extended to contracting services. The Legislature restored the deductions effective on January 1, 2017, but this regulation has not been amended to reflect this legislative change. We respectfully request that the percentage be adjusted to 10% to reflect the restoration of the deductions relating to workers compensation, hospital and medical attention and accident benefits and group insurance for employees.

In addition, we believe that it will be helpful to define the term “mine’s operations” to ensure that companies clearly understand the services to which this provision properly applies. We suggest adding the following language (in italicized font) to section 4 of NAC 360.050:

4. If a cost is partially deductible and partially nondeductible, the deductible portion must be allowed. In determining the portion of such costs which is allowable as a deduction, a reasonable allocation must be made based upon available information. For the purposes of paragraph (b) of subsection 1:

(a) there is a rebuttable presumption that not less than ~~20~~ 10 percent of the cost of contracting for all or part of a mine's operations is attributable to the cost of services and activities that would not be deductible if provided or performed directly by the operator of the mine.

(b) *the mine's operations, as defined in NRS 519A.080 and NRS 362.010(1), subject to this rebuttable presumption are defined as*

- (i) extracting the mineral;*
- (ii) transporting the mineral;*
- (iii) refining the mineral; or*
- (iv) reduction of the mineral.*

Further, we suggest that it may be helpful to specify the types of contracting services that should be excluded from this provision. For the purposes of this workshop, we are requesting the opportunity to work with you to develop that list before the language is submitted to the Legislative Counsel Bureau for drafting. Our intention is the development of a list that tightly adheres to the statutory authority providing the foundation for this regulation, which should not apply to consulting services not related to mining operations.

Thank you again for the opportunity to suggest a technical amendment to this regulatory provision. I look forward to working with you as the language proceeds through the administrative review and approval process.

Sincerely,



Dana R. Bennett, PhD
President
Nevada Mining Association