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JOSHUA J. HICKS, *Chairman*
YOLANDA T. KING, *President*

May 3, 2024

Nevada Tax Commission
4600 Kietzke Lane, Suite L235
Reno, Nevada 89502

Sent via email: TO: Sarah Glazner - sglazner@tax.state.nv.us

RE: Proposed Regulation 150-22 Religious, Charitable, Education Exemption

Dear Nevada Tax Commission:

I am writing on behalf of the Nevada Taxpayers Association (NTA) to request that the following comments be considered for changes to the proposed regulation:

- The regulation change in Section 1, paragraph 2 states: Upon approval of an application, the Department will issue a letter of exemption. The letter ***of exemption is effective on the date of issuance and*** is not transferable. ***The letter of exemption: (a) Is effective only with respect to any liability for sales tax or use tax that would otherwise accrue on or after the date of issuance of the letter. (b) Does not affect any liability for sales tax or use tax accruing before the date of issuance of the letter, and any sales tax or use tax paid in connection with such a liability is not refundable.***

The Nevada Taxpayers Association is concerned that by making an exemption letter upon issuance, rather than upon application, a qualified taxpayer will lose the benefit of the exemption for significant periods of time while the application is being processed. For example, if a charity commenced operations in Nevada on January 1, 2024, and applied for an exemption on the same day, but the Department did not approve the application until July 1, 2024, the charity would be forced to pay sales and use tax for six months through no fault of its own. Why should an otherwise qualified and exempt organization be forced to pay taxes while the government has an unlimited amount of time to process the exemption application? A better solution is to provide a taxpayer with a qualified approval letter upon application and alert the taxpayer that if the exemption is ultimately denied, they will be responsible for any sales and use taxes incurred during the qualified approval period. This is similar to the approach utilized by the IRS for non-profit applications.

The IRS Code states: *“Generally, if you file Form 1023-EZ within 27 months after the end of the month in which you were legally formed, and we approve the application, the legal date of formation will be the effective date of your exempt status. If you do not file Form 1023-EZ within 27 months of formation, the effective date of your exempt status will be the date you filed Form*



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1023-EZ (submission date). If you have been in existence for more than 27 months, and you believe you qualify for an earlier effective date of the exemption for the organization than the submission date, you can now only request the earlier effective date by completing Form 1023 in its entirety instead of completing Form 1023-EZ.”

To address concerns about back taxes, penalties, and interest owed if an application is rejected, the NTA recommends including language that tolls any limitations period during application processing, ensuring the Department's ability to collect taxes, penalties, and interest if necessary. This provision safeguards the Department's interests while maintaining fairness for taxpayers seeking tax-exempt status.

A proposed revision of Section 1(2) of the proposed regulation is as follows:

2. Upon approval of an application, the Department will issue a letter of exemption. The letter ***of exemption is effective on the date of issuance the application and*** is not transferable. ***The letter of exemption:***

(a) Is effective only with respect to any liability for sales tax or use tax that would otherwise accrue on or after the date of ~~issuance of the letter~~ the application.

(b) Does not affect any liability for sales tax or use tax accruing before the date of ~~issuance of the letter~~ the application, and any sales tax or use tax paid in connection with such a liability is not refundable.

Thank you in advance for your consideration in amending the proposed regulation.

Sincerely,

Yolanda King