

**SMALL BUSINESS IMPACT STATEMENT AS REQUIRED BY
NRS 233B.0608**

LCB File No. R123-18

1. Background

Under existing law, for the purpose of sales tax, the gross receipts from rentals or leases of tangible personal property must be reported and the tax paid in accordance with such regulations as the Department of Taxation may prescribe. (NRS 372.385) Existing regulations provide that, if a lessee of tangible personal property is held responsible for damages to the property, any charges assessed against the lessee for those damages are exclusive of the original rental or lease contract for purpose of sales tax. The Department will treat such charges as a taxable sale of tangible personal property from the person who makes the repair for the lessor or from the lessor for the responsible party. (NAC 372.922, 372.940) This regulation clarifies that the provisions applicable to charges for damages to rented or leased property also apply to charges assessed against a lessee who is held responsible for the loss of the rented or leased property. Thus, the Department will treat such charges as a taxable sale from the person who provides a replacement for the property to the lessor in the same manner as from a person who makes a repair for the lessor. Section 1. of this regulation makes this clarification applicable to tangible personal property that is acquired for lease or rental on or before June 15, 2015. Section 2. of this regulation makes this clarification applicable to tangible personal property that is acquired for lease or rental after June 15, 2015.

The Department of Taxation has drafted Proposed Regulation R123-18, to provide clarity as to the different charges associated with a rental or lease that the Department will treat as a taxable sale of tangible personal property from either the person making the repair or providing the replacement for the lessor or from the lessor for the responsible party.

2. A description of the manner in which comment was solicited from affected small businesses, a summary of their responses, and an explanation of the manner in which other interested persons may obtain a copy of the summary.

The Department of Taxation prepared and disseminated a questionnaire seeking information from small businesses regarding the possible impact of LCB File No R123-18. The proposed language and questionnaire was dispersed to the following:

- Emailed by the Department to 210 members of its interested parties list.
- Emailed by the Nevada Taxpayers Association to its list of interested taxpayers.

No response was received for LCB File No. R123-18.

3. The manner in which the analysis was conducted, including the methods used to determine the impacts of the proposed regulation on small business.

The Department analyzed the LCB Draft of Proposed Regulation R123-18 prior to mailing out the Small Business Impact Questionnaire and used informed, reasonable judgment in determining that there will not be an impact on small businesses due to the nature of the regulatory changes.

No response was received for the LCB Draft of Proposed Regulation R123-18. The proposed regulation provides clarification for the taxability for assessed charges on the rental or lease contract. The Department has determined that these revisions will not impact small businesses.

4. The estimated economic effect of the proposed regulation on the small businesses which it is to regulate:

Direct and indirect adverse effects

The Department finds that there is no reasonable, foreseeable or anticipated direct or indirect adverse economic effect on small businesses.

Direct and indirect beneficial effects

The Department finds that there is no reasonable, foreseeable or anticipated direct or indirect beneficial economic effect on small businesses.

5. A description of the methods that the agency considered to reduce the impact of the proposed regulation on small businesses and a statement regarding whether the agency actually used any of those methods.

The proposed permanent regulation presents no reasonable, foreseeable or anticipated adverse impact to small businesses; therefore no efforts were required to reduce the impact on small businesses.

6. The estimated cost to the agency for enforcement of the proposed regulation.

The proposed permanent regulation presents no significant foreseeable or anticipated cost or decrease in costs for enforcement.

- 7. If the proposed regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.**

The proposed permanent regulation does not include new fees or increase an existing fee.

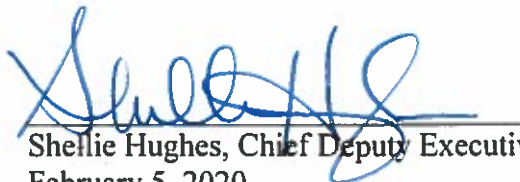
- 8. If the proposed regulation includes provisions which duplicate or are more stringent than federal, state or local standards regulating the same activity, an explanation of why such duplicative or more stringent provisions are necessary.**

The proposed regulation does not overlap or duplicate any regulation of federal, state or local government entities.

- 9. The reasons for the conclusion of the agency regarding the impact of a regulation on small businesses.**

The Department has determined that there will be no adverse impacts to small businesses based on its analysis.

I hereby certify, to the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulation on small businesses and that this statement was properly prepared and the information contained herein is accurate.



Shellie Hughes, Chief Deputy Executive Director
February 5, 2020