



December 7, 2015

TO: Deonne Contine, ED of Dept of Taxation

FROM: Ray Bacon, ED NMA

SUBJECT: Questions related to the Commerce Tax

After reading the questions and answers sections of the website some of the verbal questions we have asked don't seem to be addressed. Those include the following:

- 1.** We assume since the tax is due by company that transfer of goods internally to a company such as from their manufacturing sector to their warehouse or distribution centers (DC) or between a company owned DC to their Nevada retail site would not be subject to the tax. Is that correct?

- 2.** Is the taxable event based on the transfer of goods or services or the exchange of money? This could and we think will have an impact on when the tax liability is incurred in some cases. A clear rule at this time will save confusion later during an audit.

- 3.** There are some cases where a Distribution Center processes orders for a larger operation and ships according to the instructions they are given. They are usually a bonded warehouse facilities, but the ownership of the goods is not shifted to them at any point. They are paid a fee for the warehousing and processing they do, but never own the goods. We believe the tax they pay is limited to their revenue from the goods owner(s) and not based on the value of the goods. The Tax will be due from the owner of the goods for those items which are shipped or otherwise delivered to a Nevada customer or location, but not on the products shipped elsewhere. Is that correct?

- 4.** We have cases where a product is made in Nevada and ships to distribution centers in Nevada, but a large portion of the goods are shipped to retail locations outside of the state. Does the Manufacturer owe the tax on those goods which are going to ship to out of state locations through a DC? This is a pyramiding issue and significant in the

food manufacturing sector since we have very limited food distribution operation in this state.

5. We have cases where the product moves from the manufacturer to the retailer without ever changing ownership in the distribution process. The manufacturer knows what they shipped and is paid based on the cash register receipts daily through the retail outlet(s). Who will pay the tax on those sales and how and when? We know the retailer will include the numbers in their tax compliance, but the manufacturer never knows where the sale takes place. There are a limited number of these relationships, but the cost saving for both sides is significant so it is likely to grow.

Please note the email address on this letter head is wrong and should be:
info@nvmanufacturers.org