

# NEVADA TAX NOTES

The Official Newsletter of the Department of Taxation



**CARSON CITY OFFICE NEW ADDRESS**  
**3850 Arrowhead Drive, 2nd Floor**  
**Carson City, NV 89706**

## Upcoming Office Closures

The Nevada Department of Taxation will be closed on the following dates.



**Monday, January 15**  
*Martin Luther King Day*

**Monday, February 19**  
*President's Day*

## Federal Income Tax

As the new year begins, so does a new tax season. The Nevada Department of Taxation would like to remind you that it is not associated with the Internal Revenue Service (IRS) and cannot assist with or answer any federal income tax questions. The State of Nevada does not impose an individual or business income tax. The Department may ask for federal income tax returns as informational documents. Please direct your federal income tax inquiries to the IRS website, [www.irs.gov](http://www.irs.gov). text

## Inside This Issue

- New Tax Laws SB277 and AB430
- Medical Sales of Cannabis
- Penalty and Interest
- Consumer Use Tax
- Sales and Use Tax: General Repairs and Auto Repair Shops
- Ask the Advisor
- Tips to Taxpayers -Reminders!

The Department of Taxation is hiring! We are recruiting for multiple positions in our Northern and Southern Nevada offices. If you are interested in applying, check out the Department's [careers page](#).



Call Center: (866) 962-3707 Monday - Friday 7:30AM - 5:00PM

Carson City  
3850 Arrowhead Dr., 2nd Floor  
Carson City, Nevada 89706  
Phone: (775) 684-2000

Reno  
4600 Kietzke Lane Bldg L, Ste. 235  
Reno, Nevada 89502  
Phone: (775) 687-9999

Las Vegas  
700 E. Warm Springs Road 2nd Floor  
Las Vegas, Nevada 89119  
Phone: (702) 486-2300

# New Tax Laws SB277 and AB430

## Upcoming Changes to the Wholesale Cannabis Tax Return

Effective January 1, 2024, Senate Bill 277 (“SB277”) eliminates seeds from the definition of cannabis resulting in the seed category of cannabis being removed from the Wholesale Cannabis Tax return. The bill also deemed all licensed cannabis facilities in Nevada to be dual-licensed for both adult-use and medical cannabis, thereby authorizing facilities to conduct business in both medical and adult-use cannabis sales. The dual license designation, however, does not affect the cannabis excise tax returns.

Also, effective January 1, 2024, Assembly Bill 430 (“AB430”) changed the application of the 15% Wholesale Cannabis Tax depending on whether the first wholesale sale is made to an affiliate or non-affiliate of the cultivation facility. The 15% Wholesale Cannabis Tax is still due on the first wholesale sale, but the 15% tax will be calculated on the Fair Market Value for affiliate sales and the actual sales price for non-affiliate sales. AB430 defines an “affiliate” as “a person who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, a specified person.” A “non-affiliate” is anyone who does not meet the definition of an “affiliate.” The Nevada Cannabis Compliance Board will also update the seed-to-sale tracking system (currently METRC) to allow for taxpayers to indicate whether the first wholesale sale of cannabis was to an affiliate or non-affiliate.

An important distinction to note is that a “wholesale sale” does not include the transfer of cannabis between identically owned cannabis cultivation facilities, as mentioned in NRS 372A.290(8)(g), as amended, but does include a sale between a cultivation facility to an affiliate. Any prior use or interpretation of the term affiliate to mean identical ownership is no longer valid.

It is also important to note the definition of sales price pursuant to NRS 372A.247, and the calculation of fair market value at wholesale found in NAC 372A.155.

The Wholesale Cannabis Tax return has been updated to address the amendments in AB430 and SB277. Moreover, effective January 1, 2024, industry will report pre-rolls on the basis of weight, as workshopped with industry in October and November of 2022 and presented at the Cannabis Compliance Board training held on November 15, 2023. Accordingly, industry will input pre-rolls as a weight-based measurement in the seed-to-sale tracking system.

## Medical Sales of Cannabis

Retail sales of cannabis made to patients providing a medical identification card, including those from a state other than Nevada, are exempt from the 10% RMT tax because the sale considered for medical use and not for adult use.

The sales of cannabis for medical use are still subject to sales tax.

Please review the latest updated Cannabis Forms and Instructions at <https://tax.nv.gov/Forms/MMT/>.

**NRS 372, NRS 372A.290, NRS 678A.215, and NRS 678A.075**

## Penalty and Interest

If a taxpayer pays a tax liability after the due date or if an audit deficiency is assessed, penalties and interest are added to the amount of tax the taxpayer owes. A taxpayer may request a waiver of penalties and/or interest under certain circumstances. This article addresses the imposition of penalties and interest, and penalty and interest waivers will be addressed in a future publication of Tax Notes.

Most taxes administered by the Department have the same structure regarding penalty and interest. If a tax payment is submitted to the Department within 30 days of the due date, the penalty is a fraction of 10% of the tax due. If the tax payment is submitted 31 days or more after its due date, the penalty is 10% of the tax due. When a payment is submitted after the deadline, interest is calculated by the number of months the taxpayer is late. In this case, interest is calculated at 9% annually, or 0.75% (0.0075) per month. Interest will continue to accrue when there is an outstanding tax balance.

If a taxpayer is audited and found to owe taxes, the minimum penalty is 10% of the tax due for failure to file or pay the tax. Additional penalties may be assessed for negligence (10%) and tax evasion/fraud (25% or 300% if a vehicle is involved). Interest remains the same at 9% annually or 0.75% per month.

Different statutes related to penalties and interest apply to the Commerce, Gold & Silver and Insurance Premium Taxes. Please contact the Department with questions.

The tax return and payment instructions for each of the different tax types provide the details and directions regarding the amount of penalty and interest.

**NRS 360.300, 360.330, 360.340 and 360.417, NAC 360.395**

## Consumer Use Tax

Did you pay sales tax on your purchase of tangible personal property? If not, you may owe the use tax on the purchase price. Nevada imposes a use tax on consumers of tangible personal property who store, use or consume that property in Nevada. The use tax is complementary to sales tax and applies when tangible personal property avoids the imposition of sales tax at the point of purchase outside Nevada and is subsequently brought into Nevada for use, storage or consumption. Individuals and Businesses who purchase tangible personal property from out-of-state retailers (including catalog purchases, mail or phone order and internet) for their use in Nevada are subject to Nevada use tax. NAC 372.055 provides that credit may be given for sales tax paid in another state up to the Nevada tax rate in the county of use. Unless sales tax has been paid, use tax applies to all purchases of tangible personal property, including but not limited to vehicles, off-highway vehicles (e.g., all-terrain vehicles (ATVs), snowmobiles and dirt bikes), watercraft, aircraft, furniture, clothing, computer equipment and other office supplies. In the event of an audit, a consumer must provide record of the sales or use tax paid on purchases as applicable.

**NRS 372.185, NRS 372.190, NRS 374.190**

## Sales and Use Tax: General Repairs and Auto Repair Shops

There is often confusion and mystery surrounding when a repairer should give a resale card (or resale certificate) to its supplier. Generally, repairers may be considered a consumer or a retailer depending on whether the value of the parts and materials is “insubstantial” or “substantial” in relation to the total charge. This article provides definition and direction in this area.

### Is the Repairer a Consumer or a Retailer?

In general, a repairer is a consumer when the value of the parts and materials that are incorporated into the repaired item are “insubstantial” in relation to the total charge. Examples of repairs as a consumer may include repairs to tires, tubes, clothing, watches, jewelry, shoes, and the repair of a table by filling a dent with wood putty or filler, if the value of the parts and materials is insubstantial. A resale card should not be provided and sales or use tax must be paid on the purchase of parts and materials of insubstantial value. The repairer, as a consumer, should not separate the materials on the sales invoice, and no sales tax should be charged. If the parts and materials are separated from the repair or installation labor on the sales invoice, the repairer must collect and remit the sales tax on the sales price of the parts and materials, even if the value is insubstantial.

A repairer is a retailer when the value of the parts and materials that are incorporated into the repair are “substantial” in relation to the total charge. Example of repairs as a retailer include repairs to motor vehicles, airplanes, machinery, appliances, farm machinery, boats, the repair of furniture involving expensive cushion filling or other materials for covering, where the value of the parts and materials is substantial. A resale card should be provided to the supplier when purchasing items that become a part of the repaired item. In accordance with NAC 372.390, the parts and materials must be stated separately from the untaxed labor at the fair retail-selling price on the sales invoice. The repairer, as a retailer, must collect and remit the sales tax on the sales price of the parts and materials. If the repair labor, parts, and materials are not stated separately on the sales invoice, the entire repair charge is subject to sales tax.

### Auto Repair Shops

In the case of auto repair shops, parts and materials are substantial in value to the total charge. In accordance with NAC 372.390 and NAC 372.400, parts and materials and the repair labor must be separately stated at the fair retail selling price.

### Shop Charges

Auto repair shops often include a “shop charge” (also “shop supplies” or “materials”) item on a repair order or invoice which is subject to sales tax. Repair shops charge either a set dollar amount or a percentage of labor and/or parts. The shop charge typically includes incidental parts and materials that become part of the repaired item and thus sold to the customer. Examples include miscellaneous nuts and bolts, touch up paint, grease, marginal amounts of fluids (less than full containers), and similar. A resale card should be given to the supplier when purchasing items that become part of the taxable shop charge.

*(continued)*

## Sales and Use Tax: General Repairs and Auto Repair Shops, Continued

Repair shops that include shop charges on a sales invoice should exercise caution and ensure that the taxable shop charge fairly represents the cost of the untaxed materials purchased for resale, and that it does not include consumables and reusable shop supplies that are not sold to the customers.

### Consumables

Purchases of consumables are subject to sales or use tax. Consumables are materials that are disposable or used up in the performance of the repair. Consumables are not purchased for resale and should not be included in the taxable shop charge. Examples include solvents, masking tape, stir sticks, sandpaper, and brake cleaner that do not become a part of the repaired item. The cost of consumables is an overhead expense of the business which may be recouped as part of markup on sales. A resale card should not be given to the supplier when purchasing consumables, and sales or use tax should be paid by the repair shop upon purchase of these items.

### Reusable Shop Supplies

Purchases of reusable shop supplies are subject to sales or use tax. Reusable shop supplies are items that are purchased for use by the repair shop and do not become a part of the repaired item. Reusable shop supplies are not purchased for resale and should not be included in the taxable shop charge. Examples include items such as shop rags, shop coats, fender or body protection covers, and other items that are not disposable or otherwise used up in the performance of the repair. The cost of reusable shop supplies is an overhead expense of the business which, like consumables, may be recouped as part of the markup on sales. A resale card should not be given to the supplier when purchasing these shop supplies, and sales or use tax should be paid by the repair shop upon purchase of these items.

**NRS 372.025, NRS 372.060, NAC 372.065, NRS 372.105, NRS 372.185. NRS 360B.480, NAC 372.390, NAC 372.400**

## Ask the Advisor Upcoming Class: Tuesday, January 16, 2024

The Department is hosting Ask the Advisor classes again to all taxpayers which focus on general information about Sales & Use Tax and Modified Business Tax. There are also rotating guest presenters from other state agencies, as well as local small business resources in Northern and Southern Nevada. These classes will be available online to reach more taxpayers and the next class will be Tuesday, January 16, 2024, at 9:00am. Please visit <https://NevadaTax.as.me/AsktheAdvisor> to sign up to attend the class. These classes will be offered the third Tuesday of each month, except in November and December.

## Tips to Taxpayers - Important Reminders!

Are you mailing a payment to the Nevada Department of Taxation?

Be sure that you are sending Sales, Use and Modified Business tax payments to:

PO Box 51107  
Los Angeles, CA 90051-5407



The Carson City office has moved! We are now located at:

3850 Arrowhead Dr., Second Floor  
Carson City, NV 89706

Due to construction, the Carson City office is open by appointment only.  
Mail sent to the previous location will no longer be accepted.

Submitting a tax return?

Be sure to visit our website [Tax Forms \(nv.gov\)](https://taxforms.nv.gov) to use the most recent version of our forms which contain correct addresses, tax rates and other updates as applicable.

Annual, quarterly and monthly Combined Sales and Use Tax and Consumer Use Tax returns are due by January 31, 2024. File online at Nevada Tax Center!

If you are contacted by someone who claims to be from the Department of Taxation and would like to confirm their identity, please contact the Call Center at 866-962-3707.

**New Call Center Hours! Monday-Friday 7:30am-5:00pm.**

*Tips to Taxpayers Column: The Nevada Department of Taxation's newsletter was called Tips to Taxpayers from its 1968 inception until 1990. The Department is paying homage to the newsletter's first decades of taxpayer assistance by including a Tips to Taxpayers column with tax account tips and hints in each edition of Nevada Tax Notes.*

If you have any questions with any matters addressed in this newsletter, please call our call center at (866) 962-3707.

The information expressed in this Newsletter constitutes general guidance regarding the interpretation of the statutes and regulations under the jurisdiction of the Department of Taxation. No reliance should be placed on any information herein for fact-specific purposes not described herein. Any subsequent statutory or administrative rule change or judicial interpretation of the statutes or rules upon which these articles are based may result in contrary interpretations or guidance. The articles in this Newsletter are not binding on any administrative body or court of law, but rather serve as the Department's summaries of applicable statutes, regulations and other rules within its jurisdiction. Nothing contained in this Newsletter should be construed as legal advice.