

Nevada Department of Taxation
Percent Change in NPM Tax Revenue

FISCAL YEAR	Tax Revenue	% CHANGE FROM PRIOR YEAR
1992-93	\$ 34,717,853	
1993-94	\$ 40,409,296	16.39%
1994-95	\$ 48,204,914	19.29%
1995-96	\$ 37,568,026	-22.07%
1996-97	\$ 29,198,288	-22.28%
1997-98	\$ 30,059,357	2.95%
1998-99	\$ 33,267,151	10.67%
1999-00	\$ 28,957,844	-12.95%
2000-01	\$ 29,601,143	2.22%
2001-02	\$ 21,354,749	-27.86%
2002-03	\$ 26,065,097	22.06%
2003-04	\$ 38,787,630	48.81%
2004-05	\$ 43,994,020	13.42%
2005-06	\$ 41,805,914	-4.97%
2006-07	\$ 62,594,697	49.73%
2007-08	\$ 75,694,380	20.93%
2008-09	\$ 91,826,211	21.31%
2009-10	\$ 97,578,120	6.26%
2010-11	\$ 162,994,188	67.04%
2011-12 Est	\$ 207,353,987	27.22%

Net Proceeds: Is it a property tax?

- Value is based only on minerals extracted each year and does not include reserves expected to be extracted in the future.

SB 2 Changes Collection Procedures

- Does not change how the tax is calculated
- Does change when the tax is collected.

NET PROCEEDS OF MINERALS TAXES 2012-2013			ACTIVITY:
			2012
January 2012			January 31: 4 th Quarter 2011 Report of Estimated Taxes Due
February 2012			February 16: 2012 Calendar Year Gross Yield & Net Proceeds Statements Due (NRS 362.110)
March 2012			March 1: 2012 Calendar Year Projection Report Due (NRS 362.115) 4 th Quarter 2011 Payments Due
April 2012			March 31: 1 st Quarter Ends
May 2012			April 20: Certification of 2011 Net Proceeds (NRS 362.130)
June 2012			April 30: 1 st Quarter 2012 Report of Estimated Taxes Due
July 2012			May 10: Net Proceeds Taxes due for Calendar Year 2011 (NRS 362.130(C)). <i>Less any carry-forwards or payments from 2010 or 2011</i>
August 2012			May 30: Payment due on 1 st Quarter 2012 Report of Estimated Taxes Due
September 2012			June 30: 2 nd Quarter Ends
October 2012			June 30: 2 nd Quarter 2012 Report of Estimated Taxes Due
November 2012			July 31: 2 nd Quarter 2012 Report of Estimated Taxes Due
December 2012			August 30: Payment Due On 2 nd Quarter 2012 Report of Estimated Taxes Due
			September 30: 3 rd Quarter Ends
			October 31: 3 rd Quarter 2012 Report of Estimated Taxes Due
			November 30: Payment Due on 3 rd Quarter 2012 Report of Estimated Taxes Due
			December 31: 4 th Quarter Ends
			2013
			January 31: 4 th Quarter 2012 Report of Estimated Taxes Due
			February 16: 2012 Calendar Year Gross Yield & Net Proceeds Statements Due (NRS 362.110)
			March 1: 2013 Calendar Year Projection Report Due (NRS 362.115)
			March 2: 4 th Quarter 2012 Payments Due

Calculation of Net Proceeds Tax

Mining Operation's Gross Yield
 (-) certain Allowable Deductions
 = Net Proceeds
 X a tax rate not to exceed 5%
 = Tax

Rate of Tax

NRS 362.140 The rate of tax depends on the percentage ratio of net proceeds to gross yield:

Net Proceeds as Percentage of Gross:	Rate of Tax
Less than 10.....	2.00
10 or more but less than 18.....	2.50
18 or more but less than 26.....	3.00
26 or more but less than 34.....	3.50
34 or more but less than 42.....	4.00
42 or more but less than 50.....	4.50
50 or more.....	5.00



Rate of Tax: Exceptions

- If net proceeds is greater than \$4 M, then the rate of tax = 5%.
- The rate of tax on all royalties = 5%.
- The rate of tax on geothermals = the combined property tax rate where located.
- The minimum tax rate is the combined property tax rate where located.



COUNTY ROOP				
Tax District Overlapping Combined Rate - Dist. 0002 3.6600				
Gross yield \$ 1,000,000				
Net Proceeds \$ 400,000				
Net to gross ratio 40.0%				
Net Proceeds of Minerals Tax Revenue				
	Minerals	Geothermal	Royalties	Total
Net Proceeds	\$ 400,000	\$ 400,000	\$ 75,000	\$ 875,000
Net Proceeds Tax Revenue				
	\$ 16,000.00	\$ 14,640.00	\$ 3,750.00	\$ 34,390
County Distribution				
	\$ 13,960.00	\$ 13,960.00	\$ 2,617.50	\$ 30,537.50
State Debt Distribution				
	680.00	680.00	127.50	1,487.50
State General Fund Distribution				
	1,360.00	0.00	1,005.00	2,365.00
Total	\$ 16,000.00	\$ 14,640.00	\$ 3,750.00	\$ 34,390.00

COUNTY **ROOP**

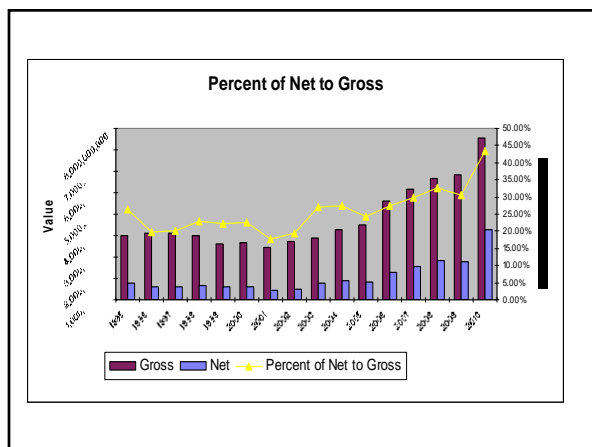
Tax District Overlapping Combined Rate - Dist. 0002 **1.7700**

Gross yield **\$ 1,000,000**

Net Proceeds **\$ 400,000**

Net to gross ratio 40.0%

Net Proceeds of Minerals Tax Revenue	Minerals	Geothermal	Royalties	Total
Net Proceeds	\$ 400,000	\$ 400,000	\$ 75,000	\$ 875,000
Net Proceeds Tax Revenue	\$ 16,000.00	\$ 7,080.00	\$3,750.00	\$ 26,830
County Distribution	\$ 6,400.00	\$ 6,400.00	\$1,200.00	\$ 14,000.00
State Debt Distribution	680.00	680.00	127.50	1,487.50
State General Fund Distribution	8,920.00	0.00	2,422.50	11,342.50
Total	\$ 16,000.00	\$ 7,080.00	\$3,750.00	\$ 26,830.00



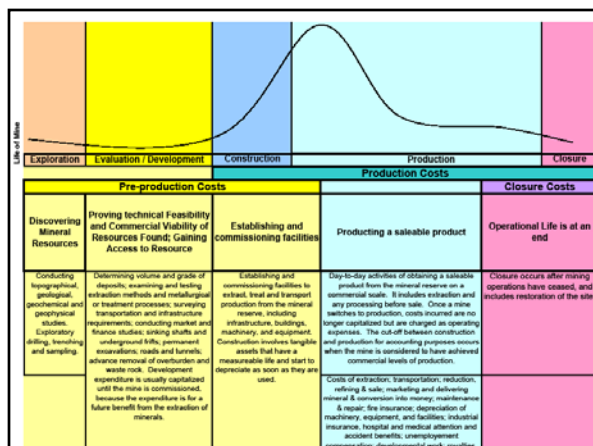
	Gross	Net	Percent of Net to Gross
1995	2,991,623.439	786,843.446	26.30%
1996	3,110,683.648	613,166.679	19.71%
1997	3,118,086.678	632,502.706	20.28%
1998	2,998,541.697	667,985.198	22.94%
1999	2,631,248.251	587,254.060	22.32%
2000	2,667,929.747	601,362.809	22.54%
2001	2,471,845.830	438,013.468	17.72%
2002	2,702,274.316	524,535.480	19.41%
2003	2,896,813.027	783,208.831	27.04%
2004	3,281,802.592	899,946.917	27.42%
2005	3,518,322.128	853,038.767	24.25%
2006	4,617,260.026	1,271,677.525	27.54%
2007	5,157,136.841	1,531,548.125	29.70%
2008	5,688,396.979	1,852,116.543	32.56%
2009	5,810,628.688	1,770,704.563	30.47%
2010	7,538,743.530	3,275,436.745	43.46%

Net Proceeds of Minerals					
2010 Net Proceeds, Net/Gross Ratio and Comparison to 2009					
Industry	Gross Yield 2010	Allowed Costs 2010	Net Costs 2010	Net Proceeds 2010	Net / Gross Ratio 2010
Gold	\$ 6,542,609,597	\$ 3,907,136,042	\$ 3,869,017,094	\$ 2,773,592,503	41.8%
Copper	488,799,008	303,617,767	303,617,767	185,181,241	37.9%
Geothermal	145,265,422	149,879,549	122,702,963	22,562,459	15.5%
Oil and Gas	26,665,355	12,506,730	12,450,575	14,214,780	53.3%
Industrial Minerals	235,404,148	195,860,672	193,423,278	41,980,870	17.8%
TOTAL	\$ 7,538,743,530	\$ 4,569,000,761	\$ 4,561,210,777	\$ 3,037,532,753	40.3%
Industry	Cost Variance (Net Allowed)	Net Proceeds 2009	Net / Gross Ratio 2009	Net Proceeds Change	Net / Gross Change
Gold	\$ (38,118,948)	\$ 1,542,258,152	30.2%	\$ 1,231,334,351	11.5%
Copper	(27,177,486)	183,976,739	37.1%	21,204,502	0.8%
Geothermal	(56,156)	25,585,988	23.1%	(3,022,529)	-7.6%
Oil and Gas	(2,437,394)	9,861,099	45.2%	4,363,681	8.1%
Industrial Minerals	(2,437,394)	29,021,629	21.6%	12,969,241	-3.8%
TOTAL	\$ (67,789,984)	\$ 1,770,704,563	30.5%	\$ 1,266,828,100	9.8%

Allowable Deductions

NRS 362.120 (3):

- Extraction
- Transportation
- Reduction, refining and sale
- Delivery of product
- Maintenance and repairs
- Depreciation
- Royalties



Recent Changes

- SB 493 changed allowable deductions:
 - Only direct costs of extraction for activities performed in Nevada
 - Only cost of delivery of mineral (no marketing or costs of conversion into money)
 - No fire insurance costs
 - No medical or medical insurance costs for a 2-year period
 - Only costs of travel occurring within Nevada
 - Only costs of Nevada-based corporate services
 - Only developmental costs necessary to the mine or group of mines
 - Costs of reclamation allowed in the year the work actually occurred

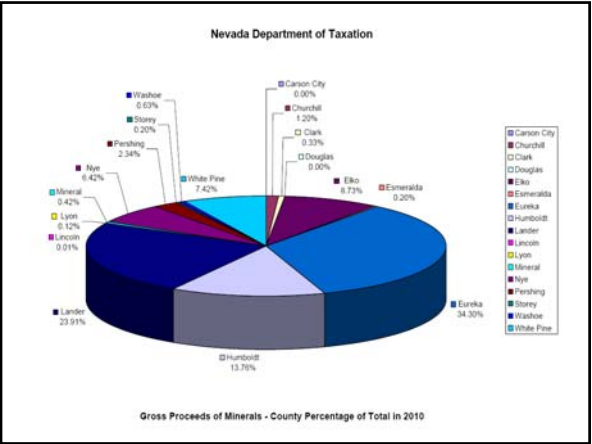
Recent Changes

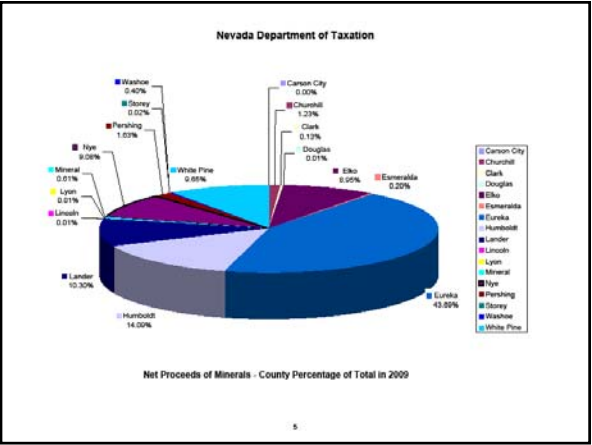
- Not deductible pursuant to SB 493:
 - Costs of employee housing
 - Costs of employee travel outside the state
 - Employee severance costs
 - Dues to trade organizations
 - Expenses of governmental relations
 - Costs of mineral exploration
 - Federal, state, and local taxes

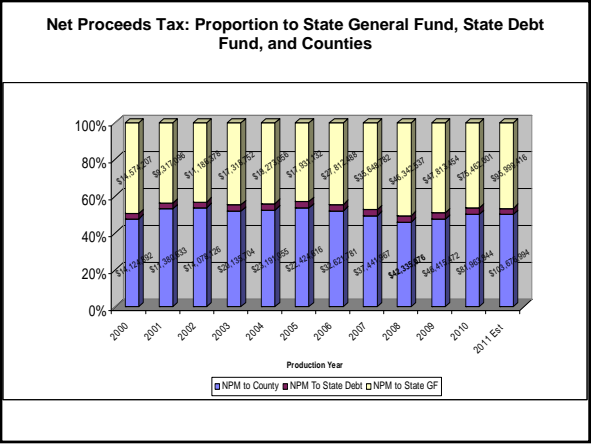
Net Proceeds of Minerals

2010 Extraction Costs by Industry

Industry	Number	Number Reporting	Percent Reporting	Amount Reported	Percent of Total Industry Cost
Gold	24	22	91.7%	\$ 1,635,275,930	41.5%
Copper	1	1	100.0%	105,661,365	34.6%
Geothermal	15	11	73.3%	13,121,632	8.8%
Oil and Gas	17	17	100.0%	4,004,544	32.0%
Industrial Minerals	44	36	81.8%	55,538,455	28.4%
TOTAL	101	87	86.1%	\$ 1,813,621,946	39.7%







Nevada Department of Taxation
Percent of Tax Proceeds to State and County

Production Year	NPM to County	NPM To State Debt	NPM to State GF	Total NPM Taxes	Net Proceeds	Percentage County	Percentage State
2000	\$ 14,124,882	\$ 902,044	\$ 14,574,207	\$ 29,601,143	\$ 601,362,809	48%	52%
2001	\$ 11,380,633	\$ 657,020	\$ 9,317,096	\$ 21,354,749	\$ 438,013,468	53%	47%
2002	\$ 14,078,126	\$ 800,593	\$ 11,186,376	\$ 26,065,097	\$ 524,535,480	54%	46%
2003	\$ 20,135,704	\$ 1,333,174	\$ 17,318,752	\$ 38,787,630	\$ 783,208,831	52%	48%
2004	\$ 23,191,055	\$ 1,529,910	\$ 19,273,056	\$ 43,994,020	\$ 899,946,917	53%	47%
2005	\$ 22,424,616	\$ 1,450,186	\$ 17,931,132	\$ 41,805,914	\$ 853,038,767	54%	46%
2006	\$ 32,621,781	\$ 2,160,428	\$ 27,812,488	\$ 62,594,697	\$ 1,270,839,999	52%	48%
2007	\$ 37,441,967	\$ 2,603,632	\$ 35,648,782	\$ 75,694,380	\$ 1,531,548,125	49%	51%
2008	\$ 42,335,076	\$ 3,148,598	\$ 46,342,537	\$ 91,626,211	\$ 1,852,116,543	46%	54%
2009	\$ 46,415,472	\$ 3,349,193	\$ 47,813,454	\$ 97,578,120	\$ 1,970,113,768	48%	52%
2010	\$ 81,963,944	\$ 5,568,242	\$ 75,462,001	\$ 162,994,187	\$ 3,275,436,745	50%	50%
2011 Est	\$ 103,676,994	\$ 7,083,671	\$ 95,999,416	\$ 207,353,987	\$ 4,069,103,543	50%	50%

Desk Reviews

- The purpose of a desk review is to:
 - (1) Enable the Department to certify a value to be taxed;
 - (2) Determine whether the reported gross yield is consistent with known and available market data;
 - (3) Determine non-allowable deductions claimed by taxpayers short of reviewing source documents as in a full audit;
 - (4) Determine instances of noncompliance in the reports with applicable statutes and regulations; and
 - (5) Determine whether penalties and interest are due on late filed reports.

Desk Review Process

- Check for completeness and timeliness
- Reasonableness testing
- Verify asset lists; compare to asset lists from property taxes and other sources
- Calculate the amount of depreciation
- Check the math on all entries
- Determine whether the cost is allowable; verify and ask for substantiation; especially "Other"
- Verify method of allocation
- Complex calculations for geothermals re PPA & ROI

<p style="text-align: center;">STATE OF NEVADA DEPARTMENT OF TAXATION</p> <p style="text-align: center;">NET PROCEEDS OF MINERALS ASSESSMENT AND TAX BILL FOR MINERALS PRODUCED DURING CALENDAR YEAR 2010 NEVADA REVISED STATUTES, NRS 362.100 TO NRS 362.240 2010-11 TAX YEAR 3/18/2011</p>	
OPERATOR :	
COUNTY :	
MINE :	
<p>Pursuant to NRS 362.130 the Department of Taxation has considered the Net Proceeds of Minerals report submitted for the annual period ended December 31, 2010 and finds the following assessment of Net Proceeds and Tax Due</p>	
1. Gross Yield	\$14,526.203
2. Deductions Claimed	\$7,538.712
Disallowed Depreciation	(\$5,810)
Disallowed Taxes:	\$0
Disallowed Interest:	\$0
Disallowed Royalties:	\$0
Disallowed Licenses / Fees:	\$0
Disallowed PreEmployment Expenses:	\$0
Disallowed Insurance:	\$0
Disallowed Deduction Miscellaneous:	\$0
3. Deductions Not Allowed	(\$0.610)
4. Deductions Allowed	\$7,544.522
5. Net Proceeds Total Assessment (1) - (2) + (3)	\$6,981.681
7. Royalties	\$0
7a. Montezuma Royalties	\$0
7b. Taxable Royalties	\$0
9. Tax Due On Net Proceeds (5) x (6)	\$349,084.05
10. Tax Due On Royalties Payable (7b) x (8)	\$0.00
11. Credit / Taxes Carried Forward	(\$263.34)
12. Projected Taxes Paid to Date 3/1/10 to 1/31/11	\$379.116
6. Applicable Tax Rate = 5.0000%	
8. Applicable Tax Rate = 5.0000%	
14. Net / Gross Ratio = 48.0627%	

Appeals to State Board of Equalization

- NRS 362.135: Any person dissatisfied by any certification of the Department may appeal from that determination to the State Board of Equalization. The appeal must be filed within 30 days after the certification is sent to the taxpayer.

Audits

- Field auditors go to the location where business records are held by the taxpayer.
- Reconciliation of taxpayer's report to the books and records of the taxpayer
- Verify gross yield from source documents
- Verify deductions from source documents
- Calculate the tax and the amount of any deficiency.

Questions?
