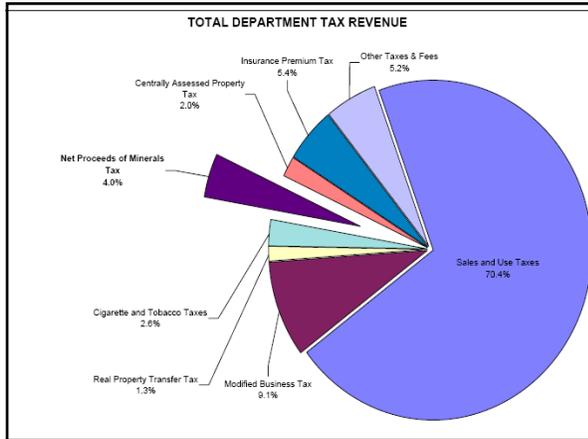
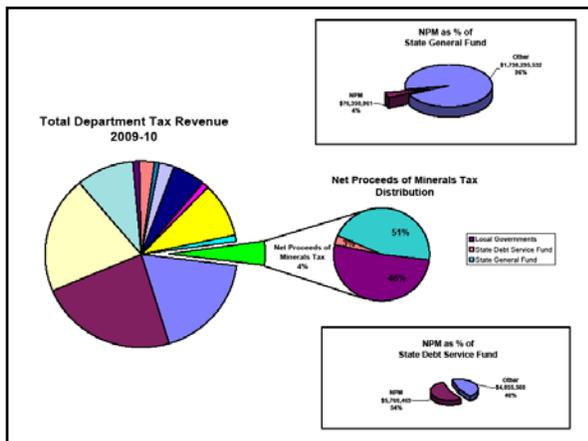
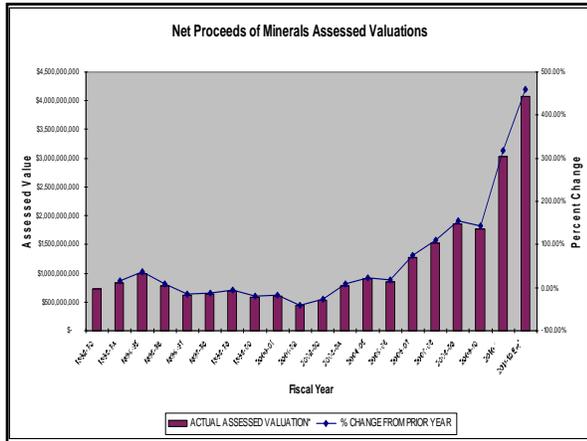


Nevada Department of Taxation

Net Proceeds of Minerals Tax







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:																																																																																																																																																																																																																																		
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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

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	41.9%
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%

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?