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MEMORANDUM

Date: 3-28-12

To: Alan Coyner, Administrator, Division of Minerals
Dr. Jonathan Price, State Geologist
Bill Chisel, Director, Department of Taxation

From: Terry Rubald, Chief, Division of Assessment Standards, Department of Taxation

Subject: Comparison of mineral production report for calendar year 2010

Please find attached a report comparing mineral production as reported to the Department of Taxation (DOT) for net proceeds of minerals tax purposes, compared to production reported to the Division of Minerals (NDOM). The report consists of an overall listing of 123 known mineral producers.

The unit of measure differs by the commodity produced. Column F shows production reported to DOT; column G shows production reported to NDOM. The variance between the two is shown in Column H. A positive number indicates more production was reported to DOT than to NDOM; a negative number indicates more production was reported to NDOM than to DOT. The amount of variance was compared to the production reported to NDOM to produce a variance percentage in Column I. Explanations for some variances appear in Column J, "Comments." Some of the variance may be explained by the fact that for purposes of the net proceeds tax, the company will report sales from stockpile. This material may have been reported to NDOM as production in a previous calendar year. NDOM has advised that it has begun following up with companies which show variances in the reporting. DOT will do likewise

Four companies reported production to NDOM but not to DOT. One of those, Mt. Moriah Stone, is not subject to net proceeds of minerals tax. Another producer, Glen Hodson, did not report production to DOT, but did report and pay net proceeds of minerals taxes. For the remaining two companies, DOT has already begun the process of picking up those companies to ensure the production is properly reported. Another company, Nevada Geothermal Utility Company, did not report production to DOT but did report and pay net proceeds. Nine companies did not report production to NDOM, and will be contacted by NDOM to ensure reporting requirements are met.

DOT adjusted its instructions for current year reporting to include the following:

1. **Summary Page 2: Recap of Gross Yield.** In Part A: Recap of Gross Yield, enter the number of units produced and sold, and enter the total gross yield for each product. Check statements, lines 6 through 9 as applicable. Consult NAC 362.010, as amended, for additional guidance. **If there are any differences in the amount that will be reported to the Nevada Division of Minerals on the Annual Production Report, please explain.**

For the future, DOT will continue to prepare this comparison report annually to improve reporting compliance. It may also use this as a tool to identify companies that should be audited. NDOM also advised that is reviewing its reporting forms and instructions to ensure reporting companies understand how to properly report production.